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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application for Order Authorizing
California-American Water Company (U-
210-W) to Purchase Bellflower Municipal
Water System's Assets and for Related
Approvals.

Application
Filed

**APPLICATION FOR ORDER AUTHORIZING SALE AND PURCHASE
OF UTILITY ASSETS**

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9 **OF UTILITY ASSETS**

10 Pursuant to Sections 851-854¹ and 2718-2720 of the California Public Utilities Code,
11 Decision (“D.”) 99-10-064, Article 2 of the California Public Utilities Commission
12 (“Commission”) Rules of Practice and Procedure (“Rules”), and Rule 3.6, California-American
13 Water Company (U-210-W) (“California American Water,” the “Company,” or “Buyer”)
14 requests (1) Commission authorization to purchase Bellflower Municipal Water System
15 (“Bellflower Municipal”) assets, and (2) related Commission approvals.

16 **I. INTRODUCTION**

17 Provided the Commission approves this Application, California American Water’s
18 acquisition of Bellflower Municipal’s assets will occur pursuant to the purchase and sale
19 agreement, entered November 27, 2017, between California American Water, and the City of
20 Bellflower, seller (the “Asset Purchase Agreement”). A copy of that Agreement is **Attachment**
21

22 _____
23 ¹ As D.99-10-064 makes clear at Appendix D, Section 4.01, Pub. Util. Code §§852 and 854 do
24 not apply to the acquisition of municipal water companies. Appendix D, Section 4.02 indicates
25 in such circumstances, the acquiring utility should be able to complete the process through an
26 advice letter. On December 27, 2017, California American filed Advice Letter 1188 to purchase
27 Bellflower Municipal. The California Public Advocates Office (previously Office of Ratepayer
28 Advocates) (“Cal PA”) served its Protest on January 23, 2018, so it is well aware of the
 acquisition, and received and reviewed extensive documentation concerning it months ago. The
 Commission’s Water Division (“WD”) requested California American Water file an application
 for approval of the transaction. California American Water does not believe such an application
 is required, but files this Application at the suggestion of WD. Moreover, given that this
 acquisition has already received significant attention at the Commission, the process for its
 approval should proceed more expeditiously along a shortened timeline.

1 to this Application.

Through the Application, California American Water asks the Commission to approve the Asset Purchase Agreement, the transaction contemplated in that Agreement, and certain related matters. Specifically, California American Water requests a Commission Order that:

- (i) Approves the Asset Purchases Agreement's terms and conditions.
- (ii) Expands California American Water's Certificate of Public Convenience and Necessity ("CPCN") so the company may assume all public utility responsibilities for the operation and ownership of the water utility operations in Bellflower Municipal's current service area.
- (iii) Establishes the rate base of the acquired system, at the time of approval of a decision in this application, to be the full purchase price paid by California American Water for the Bellflower Municipal system's assets covered by the Asset Purchase Agreement.²
- (iv) Allows California American Water, if the acquisition is not approved prior to California American Water's 2019 General Rate Case ("GRC") filing, to create a memorandum account. That account would capture the differences between revenues billed at current rates and revenues that should have been billed under the final rates effective January 1, 2021, if the Bellflower system were consolidated for ratemaking following the decision in California American Water's 2019 GRC. The associated revenue requirement will consist of items including, but not limited to, return on investment, ad valorem tax, depreciation, other taxes and fees, and incremental operating expenses.

² Original acquired rate base may be subsequently adjusted to include transactional costs associated with the acquisition, depending on the resolution of recovery of such costs in a subsequent California American Water's General Rate Case.

- 1 (v) Establishes a transaction memorandum account, pursuant to Commission
2 Standard Practice U-27-W, to track all transaction related costs with rate
3 treatment determined in California American Water’s subsequent GRC.
- 4 (vi) Approves California American Water’s request to allow tracking of costs
5 of addressing any required environmental improvements and compliance
6 issues to be tracked in the already established memorandum account
7 related to the same issues for the Dunnigan, Geyserville, and
8 Meadowbrook acquisitions.
- 9 (vii) Approves the Agreement between California American Water and the
10 Bellflower-Somerset Mutual Water Company (“Bellflower-Somerset
11 Mutual”) for Transmission and Production of Water from the High
12 Capacity Well (“HCW1”), executed October 20, 2017 (the “Wheeling
13 Agreement”).

14 Applicants will also provide direct testimony by Garry M. Hofer, Mark Reifer, and
15 Jonathan Morse, all employees of California American Water; Michael Wademan, from the
16 engineering firm of Brown and Caldwell; Matthew Payne, a principal with WestWater Research,
17 LLC; and Jeffrey L. Stewart, City Manager for the City of Bellflower.

18 The relief requested in this Application should not be controversial. The proposed
19 acquisition furthers important Legislative and Commission policies and goals. The acquisition
20 also benefits Bellflower Municipal customers. This proceeding, therefore, should move along
21 quickly and be placed on the Commission’s agenda at or before 245 days from the date of this
22 Application, in accordance with the timeline established in D.99-10-064.³

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28 ³ See D.99-10-064 at Section 2.03 (“Processing. The Parties agree that applications should be processed according to the schedules attached to this Settlement”), and at p. 5, which sets forth the schedules.

1 **II. THE PROPOSED TRANSACTION**

2 **A. Parties to the Transaction**

3 **1. Bellflower Municipal Water System**

4 Through water system infrastructure, including pipelines, meters, a high capacity well
5 (HCW1), and other facilities and properties, Bellflower Municipal serves approximately 1,827
6 customers, or about 10% of the customers in the City of Bellflower. By 2015, the City of
7 Bellflower's Municipal Water Commission (comprised of citizens selected by the City Council)
8 recommended the City consider selling Bellflower Municipal. Based on the expected costs to
9 administer the system, make needed improvements, and supplement system costs with general
10 fund monies – the City Council decided the City's continued ownership of Bellflower Municipal
11 was infeasible. The City then solicited bid from potential purchasers and ultimately selected
12 California American Water's bid as the winner. The voters of Bellflower approved the sale.

13 **2. California American Water**

14 California American Water, a California corporation, is a Class A public utility water and
15 wastewater company regulated by the Commission. The company provides regulated water
16 and/or wastewater utility services in parts of San Diego, Los Angeles, Ventura, Monterey,
17 Sonoma, Yolo, Sacramento, Merced, and Placer counties, serving approximately 630,000 people
18 in 50 communities.

19 California American Water is an experienced water and wastewater system operator,
20 including in Southern California, where the Company has extensive operations. In 2016,
21 California American Water received Commission approval to acquire the Adams Ranch Mutual
22 Water Company and certain related water rights in Southern California.⁴ And, in Central and
23 Northern California, recently California American Water received Commission approval to
24 acquire a Class D water/wastewater utility, a Class D water utility, a Class C water utility, and a
25

26
27 ⁴ See Resolution W-5080, *Order Approving California-American Water Company's Request to Acquire*
28 *Adams Ranch Mutual Water Company for \$800,000, Resulting in an estimated Future Revenue*
Requirement Increase of \$169,656 or 0.58% to Los Angeles County District Ratepayers, dated Feb. 25,
2016.

mutual water company.⁵

California American Water is a subsidiary of American Water Works Company, Inc. (“American Water”), the largest publicly traded water and wastewater utility in the United States, with operations serving approximately 16 million people across North America. A description of California American Water’s plant, water systems, and property is on file with the Commission in California American Water’s most recent Annual Report to the Commission.

B. The Asset Purchase Agreement

Under the Asset Purchase Agreement, California American Water will acquire certain assets associated with Bellflower Municipal. For those assets, California American Water will pay to the City of Bellflower the Cash Purchase Price of \$17,000,000, in addition to an Adjustment Amount, if applicable.⁶

C. The Transmission and Production “Wheeling Agreement”

In connection with the Asset Purchase Agreement, California American Water also requests Commission approval of the Wheeling Agreement. Bellflower-Somerset Mutual is a nearby water provider to Bellflower Municipal. Bellflower Municipal’s high capacity well HCW1 is in Bellflower-Somerset Mutual’s service area. Under the Wheeling Agreement, for a fee, Bellflower-Somerset will wheel water from HCW1 to California American Water for service to customers in the area formerly served by Bellflower Municipal. Similarly, for a fee, under that same Wheeling Agreement, California American Water will provide water to Bellflower-Somerset Mutual from HCW1 for use by Bellflower-Somerset’s customers.

D. Rate Impact

Following the Close of California American Water’s acquisition of Bellflower Municipal’s assets, the rates applicable for water service to Bellflower Municipal would be the

⁵ See D.15-11-012, *Decision Authorizing California-American Water Company to Purchase the Public Utility Assets of Dunnigan Water Works*, issued Nov. 10, 2015; Resolution W-5042, *Order Approving California American Water Company’s Request to Acquire Ox Bow Mutual Water Company*, issued June 11, 2015; D.16-11-014, *Decision Authorizing the Sale and Adopting Settlement Agreement* (Geyserville acquisition), issued Nov. 17, 2016; D.16-12-014, *Decision Adopting Settlement Agreement and Approving Joint Application of California-American Water Company to Purchase and Meadowbrook Water Company of Merced, Inc., to Sell the Meadowbrook Water System*, issued Dec. 6, 2017.

⁶ Asset Purchase Agreement, at Section 3.

1 rates already in-place at the time the acquisition Closes with only the slight addition of the
2 Commission's funding surcharge added to the bills. California American Water will then
3 propose consolidation for ratemaking purposes of Bellflower Municipal's former customers in
4 California American Water's subsequent GRC. That will likely be California American Water's
5 GRC scheduled for filing on July 1, 2019 for Test Year 2021.

6 In the event the sale does not Close prior to California American Water's 2019 GRC
7 filing, the Company requests authority to establish a memorandum account, the Bellflower
8 Contingency Memorandum Account, to track lost revenue until the Bellflower Municipal area
9 can be consolidated in a subsequent GRC and California American Water can seek recovery of
10 those tracked charges.

11 For illustrative purposes, it may be constructive to estimate what the revenue impact
12 would be if consolidation were implemented immediately. As is discussed in Mr. Morse's
13 Testimony, based on certain assumptions, the consolidated California American Water Southern
14 Division revenue requirement with the addition of Bellflower would increase approximately
15 4.54% under immediate rate consolidation. Assuming the average monthly usage of 11.38 ccf
16 per customer, a customer in Bellflower would see a decrease in their monthly base water bill
17 from \$54.76 charge to \$43.22, or 21.1% decrease. Again, this discussion is merely to provide an
18 illustration. In this Application, California American Water does not seek immediate
19 consolidation of Bellflower Municipal for ratemaking.

20 **III. CUSTOMER BENEFITS AND PUBLIC INTEREST**

21 The Commission reviews water utility ownership changes, such as the one proposed in
22 this Application, under Sections 851-854 of the Public Utilities Code, which prohibit the sale or
23 transfer of control of a public utility absent prior Commission approval.⁷ The Commission will
24 approve the sale of public utility property if it determines the public interest is promoted by the
25 transfer.

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27
28 ⁷ Pursuant to D.99-10-064, Appendix D, Section 4.01, Public Utilities Code Sections 852 and 854 do not
apply in the acquisition of a municipal water system, such as the one involved in this transaction.

1 **A. Legislative Declarations and Other Resolutions Support the Acquisition**

2 In Public Utilities Code Section 2719, the Legislature found and declared (1) public water
3 systems face the need to replace or upgrade infrastructure to meet increasingly stringent state and
4 federal laws and regulations, (2) increasing amounts of capital are required to finance the
5 necessary investment in that infrastructure, (3) scale economies are achievable in the operation of
6 public water systems, and (4) providing water corporations with an incentive to achieve these
7 scale economies provides benefits to ratepayers. Similarly, State Water Resources Control
8 Board (“SWRCB”) Resolution No. 2008-0048 states: small water systems (1) often cannot
9 provide the economies of scale necessary to build and maintain adequate water and wastewater
10 systems; (2) lack resources and in-house expertise, including that necessary to best manage long-
11 term operations; and (3) need financial and technical assistance to ensure compliance.

12 As is shown below, pursuant to Public Utilities Code Section 2719 and “SWRCB”
13 Resolution No. 2008-0048, the public interest is benefited by the transfer, so the Application
14 should be approved. Bellflower Municipal is a relatively small water system that faces
15 increasing operating complexities. It will require significant investment over the coming
16 decades. Furthermore, Bellflower Municipal will likely continue to face greater financial and
17 operating challenges in the coming years because of increasingly stringent regulations and
18 infrastructure needs.

19 California American Water is the right choice to take over Bellflower Municipal.
20 California American Water is a Class A water utility that operates systems throughout California.
21 It serves approximately 630,000 people throughout California, and is a subsidiary of American
22 Water, which serves approximately 16 million people across North American. California
23 American Water has trained operators and engineers who currently work with various treatment
24 processes throughout the State. This knowledge of industry trends and regulations as well as
25 related implementation experience will benefit Bellflower Municipal customers. California
26 American Water’s size, experience, and resources support Commission approval of the
27 acquisition.
28

1 **1. Benefits from Economies of Scale Support Application Approval**

2 Benefits from economies of scale also strongly support granting this Application.

3 Examples of where economies of scale often benefit larger utilities and their customers include:
4 (1) compliance with regulatory requirements, (2) maintaining customer information and billing
5 systems, (3) purchasing materials and supplies, (4) maintaining high levels of customer service,
6 (5) maintaining and improving the quality of treated water, (6) providing for current
7 infrastructure needs and future growth, and (7) supporting a level of expertise required to
8 navigate often complex requirements for government programs such as grant funds and
9 revolving fund loans.

10 Larger utilities, such as California American Water, are able to develop greater in-house
11 expertise, creating institutional knowledge. California American Water has personnel with
12 specific focuses, such as water quality and testing, environmental compliance, customer service,
13 engineering, and conservation. As stated above, California American Water has trained
14 operators and engineers who work currently with various treatment processes throughout the
15 State. Smaller utilities frequently must rely on outside consultants, who usually cost more and
16 leave at the end of the project, taking their institutional knowledge with them. In addition, with
17 California American Water's greater size and more extensive personnel, customers will likely be
18 better served because issues can be addressed more quickly. Problems such as coverage gaps
19 due to illness, vacation, or lack of skills or resources are also much less likely to occur.

20 California American Water's ability to spread fixed costs, lowering per-customer share of
21 such costs, supports approval of this Application. Economies of scale are also driven by the
22 relationship between the fixed and variable costs of operation. Utilities are capital intensive.
23 Fixed costs are high relative to variable costs. For example, testing equipment for a system of
24 1,600 customers may cost the same as that for a system of 20,000. With greater environmental
25 and regulatory requirements, fixed costs will likely only increase, presenting a particular problem
26 for smaller water companies. With its smaller customer base, Bellflower Municipal will have
27 trouble spreading those increased fixed costs. Because of California American Water's large
28 size, it has a much better ability to spread costs and improve efficiencies.

1 With the Bellflower Municipal Acquisition, there will be several specifically identifiable
2 cost savings generated as part of the acquisition. Bellflower spent around \$320,000 in salaries,
3 benefits, and administrative costs in the fiscal year ending June 30, 2017. Following the
4 acquisition, all operations for Bellflower will be performed out of California American Water's
5 Rosemead District office, with no expected additional staffing requirements, so these labor costs
6 are expected to no longer be necessary. While these specific items will not create dollar-for-
7 dollar savings as certain work must still be performed, it is expected that California American
8 Water will be able to leverage existing economies of scale to perform the work at lower cost,
9 creating long-term savings for Bellflower customers. In addition to these synergies, are other
10 that may include savings associated with possible lower costs for materials, savings on contracts
11 for engineering projects, and savings from the use of in-house engineers to perform work.

12 Thus, economies of scale based on the ability to spread fixed costs, improved efficiencies
13 through specialization, as well as things such as market presence (which includes volume
14 discounts for materials) all support granting the Application

15 **B. The Commission's Water Action Plan Supports Application Approval**

16 The Commission's Water Action Plan recognizes that to maintain the highest standards
17 of water quality, the Commission should provide incentives for the acquisition or operation of
18 smaller water and sewer utilities. In adopting the plan, the Commission noted:

19 Smaller water companies often do not have the resources or expertise to
20 operate in full compliance with increasingly stringent and complex water
21 quality regulations. Many water companies are too small to be viable in
22 the long-term, raising questions as to whether they will be able to continue
23 to provide clean and reliable water in the future. DPH requests Class A
24 utilities (over 10,000 connections) to report on an annual basis which
25 smaller utilities they might consider purchasing.⁸

26 The Water Action Plan's objectives include: (1) maintaining the highest standards of
27

28 ⁸ California Public Utilities Commission 2010 Water Action Plan, at p. 9.

1 water quality; (2) strengthening water conservation programs to a level comparable to those of
2 energy utilities; (3) promoting water infrastructure investment; (4) assisting low-income
3 ratepayers; (5) streamlining Commission regulatory decision making; and (6) setting rates that
4 balance investment, conservation, and affordability.⁹

5 This Application seeks approval of a transaction that furthers these Commission
6 objectives. The purchase of a smaller system by a larger system makes economic sense.
7 California American Water will bring economies of scale, greater internal expertise, access to
8 resources, and greater knowledge and experience. These will help maintain the highest standards
9 of water quality and improve infrastructure development.

10 California American Water has an established, successful, more robust conservation
11 program. Dedicated California American Water employees work one-on-one with customers to
12 audit high consumption connections, inform customers of water saving practices, and provide
13 water saving equipment. It is expected Bellflower area customers would eventually gain access
14 to those services.

15 Bellflower Municipal currently lacks a low-income program. Given its size, such a
16 program could prove difficult to implement for Bellflower Municipal. California American
17 Water has a low-income program, and has implemented that program in acquired systems.
18 Moreover, California American Water's program benefits from the company's ability (through
19 coordination with energy companies) to identify customers that qualify. This ability is important
20 because some qualified customers may be unaware of the programs or unsure how to subscribe
21 to them.

22 California American Water's acquisition of Bellflower Municipal may also reduce
23 regulatory workload. It decreases the number of independent systems that regulators must deal
24 with, allowing for more centralized, efficient reporting.

25 Because of California American Water's size, financial strength, and the breadth of
26 expertise of its employees, the acquisition supports the Commission Water Action Plan's
27

28 ⁹ *Id.* at p. 3.

1 objectives of strengthening water conservation programs and setting rates that balance
2 investment, conservation, and affordability. In addition, California American Water is able to
3 spread costs to operate, maintain, and invest over a much larger customer base. Thus, the
4 acquisition should be approved because it will further the Commission's goals under the Water
5 Action Plan.

6 **C. Commission Precedent Supports Granting the Application**

7 After the Legislature passed the Public Water System Investment and Consolidation Act
8 of 1997, which added Sections 2718, 2719, and 2720 to the Public Utilities Code, the
9 Commission instituted Rulemaking 97-10-048 to set guidelines for acquisitions and mergers of
10 water companies. The final decision in that proceeding approved the terms of a settlement
11 agreement included as Appendix D to D.99-10-064. That Appendix contains guidelines for
12 mergers and acquisitions of water utilities in accordance with Public Utilities Code Sections
13 2718, *et seq.* Five potentially relevant sections from the settlement from D.99-10-064 all support
14 granting this Application.

15 First, Section 2.04 states applications should include a forecast of the results of operation
16 for the acquiring utility, the acquired utility, and the combined operation for the first and fifth
17 years following the acquisition, with the supporting information. **Attachment 2** to this
18 Application includes those results of operation.

19 Second, Section 2.05 states the applicant should include an appraisal with all supporting
20 materials and work papers. It also states such an appraisal "should include all assets, including
21 the value of the land and the cost of replacing the existing improvements, less accumulated
22 depreciation." The Decision also cautions: "The complexity and detail required will necessarily
23 vary based on the size and price of the acquired water system." An RCNLD (replacement costs
24 new less depreciation) is provided as the appraisal with the Application. **Attachment 3** to this
25 Application contains the appraisal. The workpapers are included with the testimony of Mark
26 Reifer and Michael Wademan, served or otherwise made available at the time this Application
27 was filed. The total RCNLD valuation of the system assets is \$20,945,831.

28 Third, Section 2.07 states the appraisal should value contributed assets appropriately.

1 Likewise, to the extent necessary, the RCNLD was adjusted to reflect this.

2 Fourth, Section 4.03 states notice of a proposed acquisition should be given to all affected
3 customers at the time when the application is filed with the Commission.¹⁰ A copy of the draft
4 notices are included as **Attachment 4** to this Application. The notices will be sent to customers
5 as soon as the Commission assigns an application number in this proceeding and the
6 Commission's Public Advisor's Office has reviewed and approved the notice.

7 Fifth, Section 5.00 states, the utility needs to address how it will finance the acquisition.
8 It may either file an application for the long-term debt financing of a particular acquisition or
9 rely on authorization previously given by the Commission. The Commission recently approved
10 California American Water's most recent financing order, D.18-07-013 on July 12, 2018,
11 granting authority to issue new debt securities of \$359.45 million. The financing application
12 specifically requested and the decision authorized issuance of the debt for, among other things,
13 **"acquisition of utility properties and systems."**¹¹

14 This Application, therefore meets and exceeds the guidelines for acquisitions set forth in
15 D.99-10-064 and should therefore be approved.

16 **D. Because It Benefits Customers, the Acquisition Should Be Approved**

17 California American Water's acquisition of Bellflower Municipal assets and CPCN
18 expansion into Bellflower Municipal's service territory will benefit customers in numerous ways.
19 The acquisition will increase Bellflower Municipal's customers' likelihood of long-term access
20 to safe and reliable water service at affordable prices. California American Water's size,
21 position in the industry, in-house expertise, association with American Water, specialized
22 workforce, access to capital, and proximity of existing service areas to Bellflower, will allow
23 California American Water to efficiently meet water quality, reliability, infrastructure, and
24

25 ¹⁰ Technically, this Section 4.03 may apply only to the acquisition of mutual and publicly-owned water
26 systems.

27 ¹¹ *Application of California-American Water Company (U 210 W) to issue, sell and deliver debt*
28 *securities consisting of long-term notes not exceeding \$359,450,000, in the aggregate, and other*
related requests, A.17-08-018, filed Aug. 11, 2017, page 12 (emphasis added); *see also* D.18-07-013,
Decision Authorizing California-American Water Company to Issue Up to \$359.45 Million of New Long-
Term Debt Securities, dated July 12, 2018, at p. 8.

1 customer service standards for Bellflower Municipal’s customers. Thus, the acquisition will
2 benefit Bellflower Municipal customers. Existing California American Water customers are not
3 expected to see significant adverse impacts. In fact, the acquisition will benefit California
4 American Water’s existing customers because it will allow for costs to be spread across a larger
5 customer base.

6 Bellflower Municipal customers will gain access to programs that can improve service
7 quality, water availability, and make bills more affordable. Such programs include those for
8 low-income ratepayers, which better ensure their access to water at more affordable rates. They
9 also include California American Water’s extensive conservation program, which provides
10 audits of customers’ existing usage, information concerning ways to reduce usage, and tools to
11 improve efficiency and cut consumption.

12 Bellflower Municipal customers will also gain access to California American Water’s
13 wide-ranging customer service support system. California American Water provides customers
14 with access to numerous online tools that allow customers to keep track of water use, pay bills,
15 review tariffs, and even request a time to have their service turned on and off. Bellflower
16 Municipal customers will additionally gain access to award-winning call centers, staffed by
17 experienced professionals that also have the capacity to obtain translation services in several
18 languages. Thus, because the acquisition will benefit customers, this Application should be
19 approved.

20 **IV. PROPOSED RATEMAKING TREATMENT IS REASONABLE**

21 Applicants request the Commission authorize rate base equal to the total final purchase
22 price (*i.e.*, \$17 million plus possible adjustments, if any). The purchase price resulted from
23 negotiations between a willing and informed buyer and a willing and informed seller with neither
24 side compelled to enter into the transaction hastily or out of necessity.

25 The purchase price conforms to the definition of “fair market value” set forth in Code of
26 Civil Procedure Section 1263.320(a). Inclusion of the entire purchase price in rate base is
27 supported by Commission Decision D. 99-10-064 and the Consolidation Act, codified at Public
28 Utilities Code Sections 2718-2720. The Legislature enacted the Consolidation Act to facilitate

1 the acquisition of small water systems by Class A water utilities and to:

2 aid water systems in making infrastructure improvements, to meet
3 increasingly stringent state and federal drinking water laws, to recognize
4 that economies of scale are achievable in the operation of public water
5 systems, and to provide water corporations with incentives to achieve
6 economies that benefit ratepayers.¹²

7 Public Utilities Code Section 2720(a) provides that the Commission “shall use the standard of
8 fair market value when establishing the rate base for the distribution system of a public water
9 system acquired by a water [utility]. This standard shall be used for ratesetting.” Public Utilities
10 Code Section 2720(a)(2) defines “fair market value” as having the meaning set forth in Code of
11 Civil Procedure Section 1263.320(a), which states that fair market value is “the highest price ...
12 that would be agreed to by a seller, being willing to sell but under no particular or urgent
13 necessity for doing so, nor obligated to sell, and a buyer, being ready, willing, and able to buy
14 but under no particular necessity for doing so.”

15 The Act, therefore, requires that any water corporation acquiring a public water system
16 use the fair market value as the rate base value of the acquired distribution system. The
17 Legislature enacted the Act to aid water systems in making infrastructure improvements, to meet
18 increasingly stringent state and federal drinking water laws, to recognize that economies of scale
19 are achievable in the operation of public water systems, and to provide water corporations with
20 incentives to achieve economies that benefit ratepayers.

21 Applicants requests that the Commission authorize inclusion of the full purchase price
22 reached through the Asset Purchase Agreement into California American Water’s rate base. As
23 described above, this purchase prices is the result of arms’ length negotiations between a willing
24 and knowledgeable buyer and seller. The total purchase price therefore represents the fair
25 market value for the assets purchased, pursuant to Public Utilities Code Section 2720 and Code
26 of Civil Procedure Section 1263.320(a). Pursuant to the Consolidation Act, the Commission
27

28 _____
¹² D.99-10-064, dated Oct. 21, 1999, at p. 2.

1 should authorize California American Water to include the difference between current rate base
2 and the final purchase price paid by California American Water in the rate base for the system.¹³
3 D.99-10-064 specifically recognizes that Public Utilities Code Sections 2718-2720 require that
4 any water corporation acquiring a public water system use the fair market value as the rate base
5 value of the acquired distribution system.¹⁴ It should also be noted that, as the appraisal makes
6 clear, the value of the rate base being requested is well below the RCNLD value for the system.

7 In addition to being required by statute, the ratemaking requested is in the public interest.
8 The purchase of Bellflower Municipal by California American Water supports and furthers the
9 provision of safe, reliable, and affordable water and services to current Bellflower Municipal
10 customers. The cost of achieving this goal is reasonable, when measured in terms of dollars of
11 rate base per customer.

12 This Application does not request a change from Bellflower's rates. California American
13 Water expects to then propose consolidation for ratemaking purposes in the GRC subsequent to
14 the time the sale is Closed, likely the GRC scheduled to be filed on July 1, 2019 for Test Year
15 2021.

16 In the unlikely event the sale does not Close prior to California American Water's next
17 GRC filing, California American Water requests authority to establish a memorandum account to
18 track lost revenue until the acquisition can be part of a subsequent GRC.

19 **V. MEMORANDUM ACCOUNTS**

20 California American Water requests three memorandum accounts to allow costs to be
21 identified and tracked. Costs included therein may be considered for recovery in subsequent
22 GRCs. Establishing memorandum accounts does not guarantee recovery of costs. It is simply a
23 first step in the recovery process. To establish a memorandum account, the expense to be
24 tracked must meet a four-prong test: (1) they are caused by an event of an exceptional nature not
25 under the control of the utility; (2) they cannot have been reasonably foreseen; (3) they are of a
26

27 ¹³ In addition, rate base may be adjusted to include transactional costs, depending on the resolution of
28 recovery of such costs in California American Water's subsequent GRC.

¹⁴ D.99-10-064, issued Oct. 21, 1999, at p. 2.

1 substantial nature in monetary terms; and (4) ratepayers benefit from the memorandum account
2 treatment. As described below, these requirements are met for each of the three requested
3 memorandum accounts.

4 **A. Transactional Memorandum Account**

5 As with any acquisition, transaction costs will occur. Such costs may include outsourced
6 services, such as legal, engineering, surveying, the appraisal, noticing costs, and other
7 professional activities. California American Water proposes it be permitted to defer any
8 unrecovered transactional costs as a recoverable regulatory asset. In its subsequent GRC,
9 California American Water will support the prudence of the transactional costs, support their
10 proposed regulatory treatment, seek recovery of the costs, and request that the Commission
11 authorize such recovery.

12 Transaction costs will depend on the parameters and timing of the transaction. They are
13 not under the utility's control nor can they be forecast. They are substantial in nature. It has
14 been recognized that the purchase of smaller utilities is important and provides benefits,
15 including to ratepayers. Ensuring that appropriate costs incurred in connection with such
16 transactions helps make such acquisitions possible.

17 **B. Memorandum Account for Environmental Improvements and Compliance**
18 **Issues for Acquisitions**

19 California American Water also requests Commission approval to expand the currently
20 authorized "Memorandum Account for Environmental Improvements and Compliance Issues for
21 Acquisitions" and to allow the same costs as may be required in the Bellflower Municipal
22 acquisition as were allowed already in the approved account as related to the acquisitions of
23 service areas in Dunnigan, Geyserville, and Meadowbrook. This account would continue to
24 track the costs of addressing required environmental improvements and other potential
25 compliance issues.

26 The costs to address environmental compliance and required improvements have yet to
27 be determined. They are not under the utility's control nor can they be reasonably foreseen.
28 Likewise, the date of a final Commission decision on this application is beyond California

American Water's control. Compliance with such requirements, however, ensures safety, benefitting ratepayers. The memorandum account treatment helps make certain that the requisite capital expenditures will be subject to regulatory oversight and that funds are used judiciously.

C. Bellflower Municipal Contingency Memorandum Account

In the event the acquisition is not approved prior to California American Water's July 1, 2019 GRC filing, California American Water requests authority to create a memorandum account that would track lost revenue until the acquisition can be consolidated for ratemaking purposes as part of a subsequent GRC. The Bellflower Municipal Contingency Memorandum Account would only be necessary if the acquisition is not approved prior to California American Water's next GRC filing, scheduled for July of 2019. The timing of the Commission's decision is not within California American Water's control. The expenses are also of a substantial nature, and it would benefit ratepayers because the purchase of smaller utilities is important and provides benefits, including to ratepayers. As with the Transactional Memorandum Account, ensuring that appropriate costs incurred in connection with such transactions helps make such acquisitions possible. Further, as stated above, a memorandum account allows for future reasonableness review prior to cost recovery.

VI. SAFETY

California American Water is committed to the safety of its employees and customers. The Company's commitment to worker safety is reflected in its work to eliminate OSHA recordable incidents and provide training to employees. California American Water has implemented extensive safety programs designed to protect both its workforce and customers.

Such a commitment to safety supports the acquisition at issue in this Application. California American Water's efforts and resources in that area will benefit Bellflower Municipal customers.

VII. CEQA REVIEW IS NOT REQUIRED

Rule 2.4 of the Commission's Rules of Practice and Procedure requires applications to address the applicability of the California Environmental Quality Act ("CEQA") to the proposed project or transaction that is the subject of the application. The transaction described in this

1 Application is not subject to CEQA because it does not constitute a “project” within the meaning
2 of CEQA. Projects under CEQA are those specifically defined as any “activity which may cause
3 either a direct physical change [to] the environment, or a reasonably foreseeable indirect physical
4 change in the environment.”¹⁵ A proposed “activity [that] will not result in a direct or
5 reasonably foreseeable indirect physical change in the environment” is not subject to CEQA.¹⁶
6 Similarly, where “it can be seen with certainty that there is no possibility that the [proposed]
7 activity in question may have a significant effect on the environment, the activity is not subject
8 to CEQA.”¹⁷

9 This Application seeks Commission approval of the acquisition of assets from Bellflower
10 Municipal by California American Water. Critically, once sold and transferred, there will be no
11 change in the operation of the assets. They will be used and operated in the same manner and for
12 the same purposes for which they are currently being used – to provide water service. The
13 Commission has consistently held such a transfer of control and operation of existing water
14 system facilities does not result in any changes to the environment, and thus, an application
15 seeking authorization for such a transaction is not subject to CEQA.¹⁸ Here, also, because it is
16 clear that no “direct or reasonably foreseeable indirect physical change in the environment” will
17 occur as a result of the proposed transaction, it is not subject to the provisions of CEQA.

18 **VIII. OTHER PROCEDURAL REQUIREMENTS**

19 **A. Communications Concerning Application**

20 All communications and correspondence with the Applicants should be directed to:

21 Sarah E. Leeper
22 California-American Water Company
23 555 Montgomery Street, Suite 816
24 San Francisco, CA 94111
25 Tel: (415) 863-2960
26 Fax: (415) 397-1586
27 Email: sarah.leeper@amwater.com

Nicholas A. Subias
California-American Water Company
555 Montgomery Street, Suite 816
San Francisco, CA 94111
Tel: (415) 293-3024
Fax: (415) 397-1586
Email: nicholas.subias@amwater.com

28 ¹⁵ See Cal. Pub. Res. Code §21065.

¹⁶ CEQA Guidelines at §15060(c)(2).

¹⁷ CEQA Guidelines at §15061(b)(3).

¹⁸ See D.13-01-033 at pp. 8-9; D.11-03-016 at pp. 9-10.

1 **B. Articles of Incorporation and Financial Statements**

2 California American Water filed a certified copy of its articles of incorporation with the
3 Commission on January 6, 1966, in Application 48170. California American Water filed a
4 certified copy of an amendment to its articles of incorporation with the Commission on
5 November 30, 1989, in Application 89-11-036. California American Water filed a certified copy
6 of a further amendment to its articles of incorporation with the Commission on February 28,
7 2002, in Application 02-02-030. California American Water filed, with the Commission, a
8 certified copy of an additional amendment to its articles of incorporation with Application 17-04-
9 003. California American Water has not subsequently amended its articles of incorporation.

10 **C. Categorization and Schedule**

11 Applicants request that the Commission classify this Application as rate setting. The
12 issues presented in the Application are whether the transaction will serve the public interest,
13 whether California American Water is financially qualified to acquire Bellflower Municipal,
14 whether California American Water is qualified to operate the Bellflower Municipal system,
15 what the appropriate rate base for the acquisition should be, and if the Wheeling Agreement
16 should be approved. Applicants believe these issues should not raise material contested issues of
17 fact, so hearings may not be required.

18 The following schedule is consistent with D.99-10-064, including the settlement attached
19 to that decision between the Office of Ratepayer Advocates and the water utilities.

20 Application Filed	September 13, 2018 (Day 0)
21 Protests Filed	30 Days after Notice
22 Replies to Protest	40 Days after Notice
23 Prehearing Conference	45 Days after Application filed
24 Cal PA's Report	90 Days after Application filed
25 Hearings (if required)	120-125 Days after Application filed
26 Briefs	155 Days after Application filed
27 Proposed Decision	215* Days after Application filed
28 Commission's Agenda	245** Days after Application filed

* Or 60 days after the case is submitted.

** Or 90 days after the case is submitted.

IX. NOTICE AND SERVICE OF THE APPLICATION

As soon as the Commission has accepted this Application for filing and assigned it an application number and the notices have been approved by the Commission's Public Advisor's Office, California American Water will provide notice of the proposed transaction and the filing of this Application to Bellflower Municipal and certain California American Water customers. A copy of the draft notices is included as **Attachment 4** to this Application.

A copy of this Application is also being served on those persons and entities set forth on the service list for the Application.

X. CONCLUSION

For the reasons set forth above, the Applicants respectfully request that the Commission issue an order approving this Application and granting each and every request made herein.

DATED: September 14, 2018

Respectfully submitted,

By /s/ Nicholas A. Subias

Nicholas A. Subias

Sarah E. Leeper
Nicholas A. Subias
Cathy Hongola-Baptista
California-American Water Company
555 Montgomery Street, Suite 816
San Francisco, CA 94111
Tel: (415) 863-2960
Fax: (415) 397-1586
Email: sarah.leeper@amwater.com
nicholas.subias@amwater.com
cathy.hongola-baptista@amwater.com

Attorneys for Applicant
California-American Water Company

1 VERIFICATION

2

3 I, Jeffrey M. Dana, declare and verify the following:

4 1. This verification is made in connection with the "Application for Order Authorizing

5 California-American Water Company (U-210-W) to Purchase Bellflower Municipal Water

6 System's Assets and for Related Approvals," (the "Application").

7 2. I am the Director of Financial Analysis and Decision Support for California-American

8 Water Company, a party to the Application. I have read the Application. As to those matters in

9 the Application of which I have personal knowledge, I verify them to be true. As to those

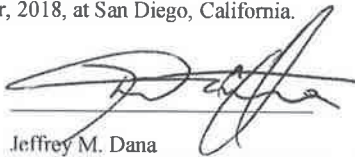
10 matters stated on information and belief, I believe them to be true.

11 3. I declare, under penalty of perjury under the laws of the State of California, the foregoing

12 is true and correct.

13 Executed this 13th day of September, 2018, at San Diego, California.

14

15 

16 Jeffrey M. Dana

ATTACHMENT 1

PURCHASE AND SALE AGREEMENT BELLFLOWER MUNICIPAL WATER SYSTEM

This Purchase and Sale Agreement (this “Agreement”) is made and entered into on the 27th day of November, 2017 by and between California-American Water Company, a California corporation (“Buyer”), and the City of Bellflower, a general law city and municipal corporation (“City”). Buyer and City may be referred to individually as a “Party” or together as the “Parties.” The Parties agree as follows:

1. RECITALS. The Parties enter into this Agreement with reference to the following:

- A. City owns the Bellflower Municipal Water System, consisting of water delivery pipelines, water appurtenances, meters, a high capacity groundwater well, and other facilities and properties necessary to provide domestic water service, serving approximately 1,827 customers (the “MWS”).
- B. On May 10, 2016, City issued a request for proposals (the “RFP”) soliciting proposals for interested and qualified water companies to purchase assets associated with the MWS as particularly described in the RFP (the “Property”). A copy of the RFP is attached as Annex “A” to this Agreement.
- C. In response to the RFP, Buyer submitted a proposal to City dated June 7, 2016. On July 25, 2016, City selected Buyer’s proposal as being the best qualified for City’s existing customers. A copy of Buyer’s proposal is attached as Annex “B” to this Agreement (the “Proposal”).
- D. On November 8, 2016, voters approved Measure W which authorizes City to sell the Property to Buyer for an aggregate purchase price of \$17,000,000 based upon the following:
 - i. Buyer agreed that it would not raise water rates for existing customers for a period from transaction close through December 31, 2020, subject to applicable Law;
 - ii. Buyer would provide equal or better customer service than is currently provided by the MWS;
 - iii. Buyer would provide an annual Capital Improvement Plan to City for purposes of coordination and general community knowledge of water operations; and
 - iv. Buyer would take action to ensure the highest quality water delivery services to customers of the MWS.
- E. As a result of Measure W being approved with certified election results having been delivered on December 12, 2016, City desires to sell, transfer and convey to Buyer

substantially all of the assets associated with the MWS, including the Property and the Water Rights, as such assets are described in greater detail in Exhibit 1 attached hereto (collectively, the “Acquired Assets”), and Buyer desires to purchase the Acquired Assets, pursuant to the terms and subject to the conditions set forth in this Agreement.

2. **DEFINITIONS; RULES OF CONSTRUCTION.**

Unless the contrary is stated or clearly appears from the context, the following definitions will govern the construction of the words and phrases used in this Agreement. Capitalized terms have the meanings assigned to them. For purposes of this Agreement and the other documents executed in connection herewith, the following “Rules of Construction” apply, unless specifically indicated to the contrary: (i) wherever from the context it appears appropriate, each term stated in either the singular or plural includes the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender include the masculine, the feminine and the neuter; (ii) the term “or” is not exclusive; (iii) the term “including” (or any form thereof) is not limiting or exclusive; (iv) the terms “hereof,” “herein” and “herewith” and words of similar import are, unless otherwise stated, construed to refer to this Agreement as a whole and not to any particular provision of this Agreement; (v) all references to statutes and related regulations include any amendments of same and any successor statutes and regulations as well as all rules and regulations promulgated thereunder, unless the context otherwise requires; and (vi) all references to any instruments or agreements, including references to any of the documents executed in connection herewith, include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

“Accounting Firm” means an independent accounting firm of national or regional standing, mutually selected by the Parties.

“Accounting Methodologies” means those accounting methodologies set forth in Exhibit 2 and generally accepted accounting principles.

“Accounts Receivable Amount” means an amount equal to ninety percent (90%) of the aggregate dollar value of the verified Receivables at Closing, whether billed or unbilled as set forth in the Statement, provided, that any Receivable with less than one year remaining before expiration under the applicable statute of limitations is deemed uncollectible, and not included in the Receivables, and its balance will not be included in the Accounts Receivable Amount.

“Adjustment Amount” means the amount determined in the manner described on Exhibit 2 to the Agreement.

“Affiliate” means, with respect to any Person, any Person which, directly or indirectly controls, is controlled by, or is under common control with, such Person.

“Agreement for Transmission and Production of Water” means an agreement between Buyer and BSMWC, in the form of Exhibit 3 attached hereto.

“Allocation” means a reasonable and supportable allocation of the Purchase Price among the Acquired Assets in accordance with Code section 1060 and the Treasury regulations thereunder (and any similar provisions of state or local Law, as appropriate).

“Bellflower Easement” means an Easement Agreement between City and Buyer, in form and substance satisfactory to Buyer.

“Bill of Sale” means a bill of sale, in the form of Exhibit 4 to attached hereto.

“BSMWC” means the Bellflower-Somerset Mutual Water Company, a California corporation.

“Business Day(s)” means any day other than (i) Saturday or Sunday, or (ii) any other day on which City’s offices are permitted or required to be closed.

“Cash Purchase Price” means \$17,000,000.

“Cash Reserve Amount” means the aggregate amount at Closing of all cash, cash equivalents and short-term investments of the MWS, including all bank accounts, demand accounts, certificates of deposit, time deposits, marketable securities, negotiable instruments and the proceeds of accounts receivable paid before the Closing Date.

“Closing” means the closing of the Contemplated Transactions.

“Closing Date” means the date on which the Closing occurs.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations and other guidance promulgated thereunder.

“Confidential Information” means (i) proprietary information not available to the general public concerning the business and financial affairs with respect to a Party hereto or its Affiliates, (ii) analyses, compilations, forecasts, studies and other documents prepared on the basis of such proprietary information by the Parties or their agents, representatives, any Affiliate, employees or consultants or (iii) any information clearly marked as “Confidential” by the disclosing Party.

“Consent” means any approval, consent, ratification, waiver or other authorization.

“Contemplated Transactions” means the transactions contemplated by this Agreement and the other Transaction Documents.

“Contract” means any agreement, contract, obligation, legally binding commitment or undertaking (whether written or oral and whether express or implied).

“CPUC” means the California Public Utilities Commission.

“CPUC Order” means an Order from the CPUC, acceptable to the Parties in form and substance, approving the Contemplated Transactions.

“Encumbrance” means any charge, claim, community property interest, condition, easement, equitable interest, encumbrance, lien, mortgage, option, pledge, security interest, right of first refusal, right of way, servitude or restriction of any kind, including any restriction on use, transfer, receipt of income or exercise of any other attribute of ownership, or any repayment obligation under any grant.

“Environment” means soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins and wetlands), groundwater, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life and any other environmental medium or natural resource.

“Environmental Law” means any Law relating to pollution or protection of human health, safety, the environment, or natural resources, including any Occupational Safety and Health Law, or Law relating to releases or threatened releases of Hazardous Materials into the indoor or outdoor environment (including, without limitation, ambient air, surface water, groundwater, land, surface and subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, release, transport or handling of Hazardous Materials.

“Governmental Authority” means any (i) nation, state, county, city, village, district or other jurisdiction of any nature, (ii) federal, state, local, municipal, foreign or other government, (iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official or entity and any court or other tribunal), (iv) multi-national organization or body or (v) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

“Hazardous Activity” means the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, Release, storage, transfer, transportation, treatment or use (including any withdrawal or other use of groundwater) of Hazardous Materials in, on, under, about or from the MWS or any part thereof into the Environment, and any other act, system, operation or thing that increases the danger or risk of danger, or poses an unreasonable risk of harm to persons or property on or off the MWS, or that may affect the value of the MWS or the Acquired Assets.

“Hazardous Materials” means any waste or other substance that is listed, defined, designated or classified as, or otherwise determined to be, hazardous, radioactive or toxic or a pollutant or a contaminant under or pursuant to any Environmental Law, including any admixture or solution thereof, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials.

“Improvements” means all buildings, structures, fixtures, building systems and equipment, and all components thereof, including the roof, foundation, load-bearing walls, and other structural elements thereof, heating, ventilation, air conditioning, mechanical, electrical, plumbing, and other building systems, environmental control, remediation, and abatement systems, sewer, storm, and waste water systems, irrigation and other water distribution systems, parking facilities, fire protections, security, and surveillance systems, and telecommunications, computer, wiring, and cable installations, included in the Real Property.

“Law” means any law, rule, regulation or ordinance of any federal, foreign, state or local Governmental Authority or other provisions having the force or effect of law, including all judicial or administrative Orders and determinations, and all common law.

“Liability” means any liability, indebtedness or obligation of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become

due, vested or unvested, executory, determined, determinable or otherwise and whether or not the same is required to be accrued on the financial statements of a Person.

“Material Adverse Effect” means any event, fact, change, development, or occurrence (each, an “Effect”) that, individually or in the aggregate, is or could reasonably be expected to be materially adverse to (a) the business, assets, Liabilities (contingent or otherwise), prospects, operations or condition (financial or otherwise) of the MWS and/or the Acquired Assets; provided, however, that with respect to clause (a) “Material Adverse Effect” shall not include any Effect directly attributable to general business or economic conditions, including such conditions related to the industry in which the MWS is operated, which do not specifically relate to the MWS and which are not disproportionately adverse to the MWS than to other similarly-situated businesses, or (b) the ability of City to consummate the Contemplated Transactions.

“Occupational Safety and Health Law” means any Law designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program, whether governmental or private (including those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

“Order” means any award, decision, injunction, judgment, order, ruling, subpoena or verdict entered, issued, made or rendered by any court, administrative agency or other Governmental Authority or by any arbitrator.

“Ordinary Course of Business” means, with respect to the MWS, only the ordinary course of commercial operations customarily engaged in by the MWS consistent with past practices, and specifically does not include (a) activity (i) involving the purchase or sale of the MWS, or (ii) that requires approval by the City Council (or similar body) of City, or (b) the incurrence of any Liability for any tort or any breach or violation of or default under any Contract or Law.

“Permit” means any approval, Consent, license, permit, waiver, franchise, registration, exemption, certificate or other authorization or approval issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law, and all pending applications therefor and amendments, modifications and renewals thereof.

“Person” means any individual, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, cooperative, estate, trust, association, organization, labor union or other entity or Governmental Authority.

“Proceeding” means any action, application, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

“Purchase Price” means (i) the Cash Purchase Price plus (ii) the Adjustment Amount.

“Real Property” means those parcels of real property and those easements or any rights-of-way used or held for use in the operation of the MWS, together with all fixtures, fittings, buildings, structures and other Improvements erected therein or thereon.

“Receivables” mean all receivables (including notes, accounts receivable, loans receivable and advances) arising from or related to the MWS.

“Records” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

“Release” means any spilling, leaking, emitting, discharging, depositing, escaping, leaching, dumping or other releasing into the Environment of Hazardous Materials, whether intentional or unintentional.

“Statement” means a statement setting forth the Parties’ determination and calculation, as of the Closing Date, of the Adjustment Amount, providing in reasonable detail the respective components and calculations thereof and prepared in good faith and consistent with generally accepted accounting principles.

“Tax” means all taxes, charges, withholdings, fees, duties, levies, or other like assessments including, without limitation, income, gross receipts, ad valorem, value added, excise, property, sales, employment, withholding, social security, Pension Benefit Guaranty Corporation premium, environmental (under Section 59A of the Code) occupation, use, service, service use, license, payroll, franchise, transfer and recording taxes, fees and charges, windfall profits, severance, customs, import, export, employment or similar taxes, charges, fees, levies or other assessments, imposed by any Governmental Authority, whether computed on a separate, consolidated, unitary, combined or any other basis, and shall include any interest, fines, penalties, assessments, or additions to tax resulting from, attributable to, or incurred in connection with any such Tax or any contest or dispute thereof, and including any Liability for the Taxes of another Person under Treasury Regulation section 1.1502-6 (or any similar provisions of state, local, or foreign Law), as transferee or successor, by Contract or otherwise.

“Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to, or required to be filed in connection with any Taxes, including any schedule or attachment thereto and including any amendment thereof.

“Title Company” means First American Title Insurance Company.

“Transaction Documents” means this Agreement, the Bill of Sale, the Bellflower Easement, the Agreement for Transmission and Production of Water, the Water Rights Assignment and all other documents, certificates, assignments and agreements executed and/or delivered in connection with this Agreement in order to consummate the Contemplated Transactions, as the same may be amended, restated, modified or otherwise replaced from time to time.

“Water Rights” means those certain water facility easements, rights-of-way, and other similar rights which are included as part of the Acquired Assets and set forth on Exhibit 1.

“Water Rights Assignment” means the Assignment Agreement from City to Buyer conveying the Water Rights, substantially in the form of Exhibit 5 attached hereto.

3. AGREEMENT TO SELL AND PURCHASE; PURCHASE PRICE.

- A. City agrees to sell, transfer, convey and assign to Buyer, and Buyer agrees to purchase and accept from City, upon the terms and subject to the conditions set forth in this Agreement, the Acquired Assets, free and clear of all Encumbrances.
- B. The consideration for the Acquired Assets will be the Purchase Price. At Closing, Buyer will pay to City, an aggregate amount equal to the Cash Purchase Price plus the estimated Adjustment Amount by wire transfer of immediately available funds in accordance with wire transfer instructions to be provided by City to Buyer at least ten days before the Closing Date.
- C. Buyer will deliver the Statement to City at least five Business Days before the Closing Date, which Statement sets forth Buyer’s good faith estimate of the Adjustment Amount prepared in accordance with the Accounting Methodologies. City will provide Buyer and its representatives reasonable access, during City’s normal business hours, to all personnel, books and Records of or related to the MWS within City’s direction or control as reasonably requested by Buyer to assist it in its preparation of the Statement. Buyer will deliver to City a copy of the work papers prepared or used in connection with the Statement’s preparation as reasonably requested by City to assist in its review of the Statement, and City may, before the Closing Date, review with representatives of Buyer and object to all or any part of the Statement, such review to be reasonable and in good faith. Both Parties must reach a reasonable, good faith determination with respect to the Statement for the purpose of calculating the Purchase Price at Closing.
- D. Within (60) days following the Closing Date, Buyer will prepare and deliver to City the Statement that provides an accounting of the revised Adjustment Amount. The Statement will become final and binding upon the Parties thirty (30) days following delivery thereof (the “Review Period”), unless City gives written notice of its disagreement with the Statement (the “Notice of Disagreement”) to Buyer before end of the Review Period. The Notice of Disagreement must specify in reasonable detail the nature of any disagreement so asserted, indicating each disputed item, together with the amount thereof, and the basis for City’s disagreement therewith. If a Notice of Disagreement is given to Buyer before expiration of the Review Period, then the final Statement (as revised in accordance with clause (i) or (ii) below) will become final and binding upon the Parties on the earlier of (i) the date Buyer and City resolve in writing any differences they have with respect to the matters specified in the Notice of Disagreement or (ii) the date any disputed matters are finally resolved in writing by the Accounting Firm. Within fifteen (15) days after the Statement becomes final and binding on the Parties pursuant to the preceding sentence, the Parties will compute an adjusted Purchase Price using the Adjustment Amount in lieu of the revised Adjustment Amount and (x) if the adjusted Cash Purchase Price is greater than the Closing Amount, Buyer will pay

the difference to City or (y) if the adjusted Cash Purchase Price is less than the Closing Amount, City will pay the difference to Buyer. If City disagrees with the Statement as determined by Buyer or with any other matter arising out of this Section, and Buyer and City cannot within thirty (30) days resolve the disagreement themselves, the Parties will refer the disagreement to the Accounting Firm, whose decision shall be final. Each Party will have an additional thirty (30) days from the end of the prior 30-day period to submit their respective positions and any relevant supporting materials to the Accounting Firm. Each of City and Buyer will pay one-half of the fees and expenses of the Accounting Firm.

- E. Buyer must prepare the Allocation which is binding upon the Parties. The Parties must report, act, and file Tax Returns in all respects and for all Tax purposes consistent with the Allocation. No Party can take any Tax position (whether in audits, Tax Returns, or otherwise) that is inconsistent with or contrary to the Allocation. In the event that the Allocation is disputed by any Governmental Authority, the Party receiving notice of such dispute will promptly notify the other Party, and the Parties will consult in good faith as to how to resolve such dispute in a manner consistent with the Allocation.

4. CONVEYANCE OF TITLE; ASSIGNMENTS.

- A. Upon the terms and subject to the conditions of this Agreement, at the Closing, City agrees to convey by quit claim deed to Buyer fee simple title to the Real Property constituting a portion of the Acquired Assets. As set forth below, the Property is to be transferred to Buyer in “AS-IS, WHERE-IS” condition.
- B. Upon the terms and subject to the conditions of this Agreement, at the Closing, City agrees to transfer, convey and assign the remainder of the Acquired Assets in accordance with the applicable Transaction Document.

5. ASSUMPTION OF LIABILITIES. Except as otherwise provided herein or in the Transaction Documents, Buyer assumes all obligations and liabilities of any kind or nature whatsoever related to, arising from, or associated with ownership or possession of the Acquired Assets from and after the Closing. For the sake of clarity, effective as of the Closing, the Operating Agreement between City and BSMWC (and any related agreements pertaining to the MWS) will be terminated and of no further force and effect, and Buyer will assume no liabilities or obligations related to, arising from, or associated therewith.

6. CLOSING. Closing will occur at Buyer’s place of business or such other place or by such other means (e.g., e-mail/PDF or facsimile and overnight delivery of original execution documents) as is agreed to by the Parties at 10:00 A.M., Pacific time, on (a) a date that is not more than 15 Business Days after the date on which all of the conditions precedent in this Agreement are satisfied or waived or, if Buyer elects, the final day of City’s billing period of which such date is a part; or (b) such other date, time and/or place as the Parties may agree upon in writing.

7. CLOSING OBLIGATIONS. In addition to any other documents to be delivered under other provisions of this Agreement, at Closing the Parties must deliver:

- A. All documents required to be executed by such Party including, without limitation, the Transaction Documents;
- B. All documents and Consents (including, without limitation, the CPUC Order) from Governmental Authorities and third parties necessary to ensure that Buyer will continue to have the same full rights with respect to the Property as City had before the Closing; and
- C. All other documents required or reasonably requested by Buyer to be delivered at or before the Closing.

8. CITY'S REPRESENTATIONS AND WARRANTIES. City makes the following representations and warranties to Buyer, each of which is true and correct as of the date of this Agreement and will be true and correct as of the Closing:

- A. City has clear, good and marketable title to the Acquired Assets, including the Real Property, free and clear of all Encumbrances, and is fully authorized to own and operate the MWS. None of the Acquired Assets are on loan by City to any third party.
- B. Except as otherwise provided by applicable Law (e.g., the United States Bankruptcy Code), this Agreement constitutes the legal, valid and binding obligation of City, enforceable against City in accordance with its terms.
- C. City has the absolute and unrestricted right, power and authority to complete the Contemplated Transactions. City's representatives are authorized to execute and perform this Agreement and the other Transaction Documents. This Agreement has been, and the other Transaction Documents will be, duly executed and delivered by City.
- D. Except as otherwise provided by applicable Law (e.g., the California Public Utilities Code), no additional Consents are required to complete the sale, transfer and assignment of the Acquired Assets.
- E. There is no unpaid Tax, levy or assessment against the Acquired Assets, including the Real Property (except for Encumbrances relating to Taxes not yet due and payable), nor is there pending or threatened any condemnation Proceeding against the Acquired Assets.
- F. The Acquired Assets are and have been treated as exempt from property Taxes in the City of Bellflower and any other jurisdiction in which the Acquired Assets are or have been located.
- G. City is, and at all times in which it has owned the Acquired Assets has been, a general law city and municipal corporation existing in accordance with applicable

Law, including the California Constitution and California Government Code. For purposes of federal Law, City is considered a political subdivision of the state of California and an organization described in Sections 115 and 170(c)(1) of the Code.

- H. City has received grants relating to the Acquired Assets. As to any grants City received, (i) all work or other requirements that were required to be taken and completed have been taken and completed (or caused to be taken and completed) by City; (ii) City's performance with respect to such grants has not been challenged or questioned by nor is, to City's knowledge, the subject of any audit or investigation; and (iii) all such grants have been completed or are in the process of being completed.
- I. City complied with all arbitrage rules to the extent that proceeds of any general obligation bonds were pledged for use by the MWS.
- J. City has provided Buyer with copies of all Contracts that currently exist affecting the Acquired Assets to which City is a party or by which the City is bound.
- K. To City's knowledge, City is and at all times has been in full compliance with and has not been and is not in violation of or liable under any applicable Environmental Law applicable to the Acquired Assets. City has no basis to expect nor has it received any actual or threatened Order, notice or other communication of any actual or potential violation or failure to comply with any applicable Law.
- L. There are no known pending or threatened claims, Encumbrances or other restrictions of any nature, resulting from any alleged violation of applicable Law affecting the Acquired Assets. There are no Proceedings, either pending or threatened, against City involving the operation or ownership of the MWS or any of the Acquired Assets, which would reasonably be expected to have an adverse effect on the MWS or any of the Acquired Assets.
- M. To City's knowledge, there are no Hazardous Materials, except those used in connection with the operation of the Acquired Assets present on or in the Real Property and previously disclosed in writing to Buyer. City is not aware of any Hazardous Activity conducted with respect to the Acquired Assets, or any other properties or assets (whether real, personal or mixed) in which City has or has had an interest, except in material compliance with all applicable Law.
- N. To City's knowledge, there has been no Release or threat of Release of any Hazardous Materials at or from the Acquired Assets.
- O. Except as otherwise previously disclosed to Buyer in writing, none of the following exists at the Real Property: (1) underground storage tanks; (2) except for asbestos cement (AC) piping, asbestos-containing material in any form; (3) materials or equipment containing polychlorinated biphenyl; (4) groundwater monitoring wells; or (5) landfills, surface impoundments, or disposal areas.

- P. City is not obligated to provide financial assurance in consideration of the MWS under applicable Law.
- Q. City has provided Buyer with a complete and correct list of all Permits used by City in the continuing ownership, operation and/or maintenance of the MWS. Such Permits constitute all those necessary for the continuing ownership, operation and maintenance of the MWS and are all valid and subsisting and in full force and effect. No fact or circumstance exists which is reasonably likely to cause any such Permit to be revoked or materially altered subsequent to the execution of this Agreement and the Closing. Neither the execution of this Agreement nor the Closing do or will constitute or result in a default under or violation of any such Permit.
- R. City maintains and has maintained appropriate insurance necessary for the full protection of the Acquired Assets. All such policies are in full force and effect and City will use commercially reasonable efforts to cause such policies to be outstanding and in full force and effect as of Closing.

9. CITY'S DISCLAIMERS. BUYER ACKNOWLEDGES THAT IT IS RELYING UPON ITS OWN INDEPENDENT INVESTIGATION IN DECIDING TO PURCHASE THE ACQUIRED ASSETS. EXCEPT AS SPECIFICALLY PROVIDED IN THE TRANSACTION DOCUMENTS, THE RFP OR THE PROPOSAL, BUYER EXPRESSLY DISCLAIMS RELIANCE ON ANY REPRESENTATIONS, WARRANTIES OR GUARANTIES, EITHER EXPRESS OR IMPLIED, BY CITY, ITS OFFICERS, DIRECTORS, COUNSEL, REPRESENTATIVES OR AGENTS. EXCEPT AS OTHERWISE PROVIDED IN THE TRANSACTION DOCUMENTS, THE RFP OR THE PROPOSAL, CITY EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, AS TO THE CONDITION, VALUE OR QUALITY OF THE PROPERTY, THE PROSPECTS (FINANCIAL AND OTHERWISE) OF THE PROPERTY, THE QUALITY OF WORKMANSHIP OF THE PROPERTY, OR THE ABSENCE OF ANY DEFECTS THEREIN, WHETHER LATENT OR PATENT. EXCEPT AS SET FORTH IN THE TRANSACTION DOCUMENTS, CITY FURTHER SPECIFICALLY DISCLAIMS ANY REPRESENTATION OR WARRANTY REGARDING POTENTIAL ENVIRONMENTAL HAZARDS, THE PRESENCE OF HAZARDOUS MATERIALS, COMPLIANCE OF THE REAL PROPERTY OR THE LAND WHERE THE ACQUIRED ASSETS ARE LOCATED WITH ENVIRONMENTAL REQUIREMENTS, OR LIABILITY OR POTENTIAL LIABILITY ARISING UNDER ENVIRONMENTAL REQUIREMENTS. EXCEPT AS OTHERWISE SET FORTH THEREIN, NO SCHEDULE, ANNEX OR EXHIBIT TO THIS AGREEMENT, NOR ANY OTHER MATERIAL OR INFORMATION PROVIDED BY OR COMMUNICATIONS MADE BY CITY, WILL CAUSE OR CREATE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, CITY EXPRESSLY DISCLAIMS: (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY; (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; AND (C) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR MATERIALS.

10. “AS IS” SALE. EXCEPT AS OTHERWISE PROVIDED IN THE TRANSACTION DOCUMENTS, THE PROPERTY IS BEING TRANSFERRED “AS IS, WHERE IS, AND WITH ALL FAULTS” IN ITS EXISTING CONDITION, WITHOUT ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND BY CITY, EXPRESS, IMPLIED OR STATUTORY, AND WITHOUT RECOURSE AGAINST CITY.

11. REPRESENTATIONS AND WARRANTIES OF BUYER. Buyer makes the following representations and warranties to City:

- A. Buyer is a duly organized and validly existing corporation in good standing under the laws of the state of California and has the power and authority to own, lease and operate its assets and properties.
- B. Buyer has all necessary corporate approvals to purchase and accept the Acquired Assets.
- C. Except as otherwise provided by applicable Law (e.g., the United States Bankruptcy Code), this Agreement constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms.
- D. Buyer has completed, and is satisfied with, all inspections of the Acquired Assets. No additional investigation or due diligence is required to complete performance of this Agreement and the other Transaction Documents.
- E. Neither the execution or delivery of this Agreement nor the consummation of the Contemplated Transactions will result in: (i) a violation of or a conflict with any provision of the articles of incorporation or the bylaws of Buyer; (ii) a material breach of or default under any term, condition or provision of any Contract to which Buyer is a party, or an event which, with the giving of notice, lapse of time, or both, would result in any such breach or default; or (iii) a material violation of any applicable Law, Order, judgment, writ, injunction, decree or award or any event which, with the giving of notice, lapse of time, or both, would result in any such violation.

12. ACCOUNTS RECEIVABLE. Before the date hereof, City provided Buyer with a list of customers under seal and marked as “confidential” in accordance with Government Code § 6254.16 together with an aging schedule relating to such customers’ accounts. These Receivables, together with any such Receivables arising between such date and the Closing, are (to the extent not yet paid in full and in excess of one year remaining before expiration under the applicable statute of limitations) valid. Except to the extent paid before Closing, the Receivables are and will be current and fully collectible. City will update the customer list, the list of Receivables and the related aging schedule at least five Business Days before Closing to be used in the preparation of the Statement.

13. ACCOUNTS RECEIVABLE. From and after the date of this Agreement through and until the Closing, City will undertake its reasonable best efforts to collect all Receivables, whether now existing or accrued after the date hereof, in a timely manner.

14. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF BUYER. Buyer's obligations to consummate the Contemplated Transactions are subject to the satisfaction in full, unless expressly waived in writing by Buyer, of each of the following conditions:

- A. Buyer must secure the following, in form and substance satisfactory to Buyer:
 - i. All necessary regulatory approvals from the CPUC, including the CPUC Order; and
 - ii. Any other applicable Consents from public entities or third parties.
- B. Buyer must receive (or the Title Company will commit to deliver) one or more ALTA 2006 Standard Owner's Policy(s) of title insurance for the Real Property.
- C. A Material Adverse Effect cannot be present.

15. COMPLIANCE WITH APPLICABLE REQUIREMENTS AND GOVERNMENTAL APPROVALS. Except for the CPUC Order, Buyer is solely responsible for complying, at Buyer's sole expense, with all applicable Laws, and obtaining all Consents of Governmental Authorities and third persons in connection with the consummation of the Contemplated Transactions. Without limiting the generality of the foregoing, Buyer is responsible for any costs of complying with the California Environmental Quality Act ("CEQA") in connection with the Contemplated Transactions, if and to the extent applicable to the sale and transfer of the Acquired Assets, and satisfying, at Buyer's sole expense, any and all mitigation measures under CEQA that may apply to Buyer's consummation of the Contemplated Transactions. Buyer must promptly notify City of any and all mitigation measures imposed under CEQA that would reasonably be expected to adversely affect City. If City determines in good faith that any such mitigation measures would adversely affect City, City has the right without liability to Buyer to terminate this Agreement upon written notice to Buyer. In the event of such termination, City and Buyer are each released from all obligations under this Agreement, except those that expressly survive termination.

16. COOPERATION. Upon the terms and subject to the conditions of this Agreement, the Parties will use their respective reasonable efforts to cooperate with each other in connection with, and will use reasonable efforts to take or cause to be taken and do or cause to be done, any actions required to be taken under applicable Law to perform this Agreement as promptly as practicable. Before the Closing, the Parties will proceed expeditiously and in good faith to make such filings, including, without limitation, filings with the CPUC, and take such other actions as may be reasonably necessary to satisfy the conditions to Closing. Any and all filing fees in respect of such filings must be paid by Buyer. From and after the Closing, the Parties will do such acts and execute such documents and instruments as may be reasonably required to make effective the Contemplated Transactions. City agrees to cooperate with Buyer to ensure a proper transition of all customers with respect to billing and customer service activities, including meter reading.

Buyer will take the lead in obtaining the required regulatory approvals with respect to the Contemplated Transactions.

17. PUBLICITY; ANNOUNCEMENTS. At the execution of this Agreement, the receipt of the CPUC Order, and the Closing, the Parties may issue a press release, which press release must be approved in writing by both Parties before release. From and after the date of this Agreement until after the Closing, no other press release or other public statement concerning this Agreement or the Contemplated Transactions will be issued or made without the prior written approval of the Parties except as required by applicable Law; provided, however, that Buyer may issue a release or other public statement regarding this Agreement and the Contemplated Transactions to comply with its investor relations obligations without City's prior written approval.

18. CONDUCT OF BUSINESS. Between the date of this Agreement and the Closing, City will (a) carry on the operation and maintenance of the Acquired Assets in compliance with applicable Law; (b) not introduce any materially new method of management or operation of the MWS; (c) use reasonable best efforts to preserve the Acquired Assets and the MWS; (d) conserve the goodwill and relationships of the customers, suppliers, and others having business relations with the MWS; (e) maintain in full force and effect all policies of insurance now in effect for the benefit of City; (f) maintain supplies at a level which is sufficient to operate the MWS in accordance with past practice; and (g) maintain the Acquired Assets in substantially the condition currently existing, normal wear and tear excepted.

19. RELEASE OF ENCUMBRANCES. City will promptly take such actions as may be reasonably requested by Buyer to secure the release of all Encumbrances relating to the Acquired Assets, in each case, in substance and form reasonably satisfactory to Buyer.

20. PUBLIC RECORDS; RETENTION OF RECORDS. Buyer acknowledges that City is a public entity subject to the Public Records Act (Government Code §§ 6250-6276.48) and that this Agreement, and documents ancillary to this Agreement, must generally be disclosed upon request. All records subject to this Agreement that are not delivered to Buyer upon Closing will be retained by City in accordance with the Public Records Act and City's retention schedule.

21. RATE STAY-OUT. Buyer agrees that Buyer will not, after the Closing and until January 1, 2021, change any rate for Property services charged by City on the date this Agreement is effective to any of City's customers existing as of immediately before the Closing, unless such change is mandated by the CPUC or applicable Law. Notwithstanding the foregoing, Buyer may propose any change in rates for MWS services at the next scheduled general rate cases under the CPUC's rate case plan as applicable to the MWS, but such application must provide that any such rate change will only become effective as of 12:01 a.m. PST on January 1, 2021.

22. GENERAL RELEASE.

- A. Except as otherwise provided in the Transaction Documents, Buyer, for itself, and for any future owners of all or a part of the Acquired Assets, and each of their respective predecessors, successors, assigns, licensees, officers, directors, employees, agents, partners, shareholders, transferees, parent and subsidiary

corporations, legal representatives, heirs, beneficiaries, executors and administrators hereby fully and forever releases, discharges and covenants not to sue the City of, from or for any and all losses and all other costs, claims, demands, actions, suits, orders, causes of action, obligations, controversies, debts, expenses, accounts, damages (including consequential or direct damages), judgments and liabilities of whatever kind or nature (including fines and civil penalties), and by whomsoever asserted, in law, equity or otherwise, whether known or unknown, (each, a “Claim”, and collectively, “Claims”) arising from or in any way connected with City’s ownership of the MWS.

- B. With respect to this Section, Buyer does knowingly, after having first obtained the advice of its attorneys, waive all of the provisions of California Civil Code § 1542 (“Section 1542”). Section 1542 reads as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.”

- C. Buyer acknowledges and agrees that: (i) these releases are intended to extend to and extinguish all claims, causes of action, etc. that are encompassed within the terms of the releases, including those that are not presently known to or suspected by Buyer and (ii) it may subsequently discover facts in addition to or different from those which it now believes concerning the subject matter of this Agreement, and that notwithstanding any such new or different facts, these releases will remain effective. Buyer further acknowledges and agrees that the foregoing waiver of Section 1542 is an essential and material term of this Agreement, without which said consideration would not have been given. Buyer was advised by its legal counsel regarding this release and waiver and understands and acknowledges the significance and consequences of this release and waiver of Section 1542.
- D. The release of Buyer contained in this Section will survive the termination of this Agreement.

23. ADDITIONAL RELEASES.

- A. Except as otherwise provided, each Party releases the other Party from all Liability to itself, its officials, officers, employees, agents, and volunteers, for any claims, damage, or demands for personal injury, death, or property damage, arising from or related to this Agreement. Each party bears sole responsibility for any loss.
- B. It is expressly understood and agreed that the foregoing provisions will survive termination of this Agreement.

24. LIMITED INDEMNIFICATION. Notwithstanding anything to the contrary in this Agreement:

- A. Each Party will indemnify and hold harmless the other Party from any and all costs, Liabilities, claims and expenses, including those from death or injury to any Person or from a loss or damage to any real, personal or other property, to the extent arising from any claim against a Party arising from the breach of such Party's representations and warranties set forth in this Agreement.
- B. To be indemnified and held harmless under this Agreement, a Party must promptly notify the other Party of the existence of any matters to which that Party's indemnity obligations apply. Upon demand by a Party pursuant to this Section, the other Party must defend at its own expense with mutually acceptable counsel any such matter; provided that the Party seeking indemnification and defense also has the right to fully participate in the defense and consent to any settlement or compromise.
- C. It is expressly understood and agreed that this Section will survive termination of this Agreement.

25. NO TRANSFER AT ODDS WITH LAW. Notwithstanding anything to the contrary contained herein, nothing in this Agreement will be deemed to require the conveyance, assignment or transfer of any Acquired Asset that by operation of applicable Law cannot be conveyed, assigned, transferred or assumed.

26. DISPUTE RESOLUTION. Any dispute arising between City and Buyer regarding this Agreement will first be attempted to be resolved through mediation between the respective Parties' designated representatives.

27. CONFIDENTIALITY. Before Closing, each Party will ensure that all Confidential Information which such Party or any of its respective officers, directors, employees, counsel, agents, or accountants may have obtained, or may hereafter obtain, from the other Party (or create using any such information) relating to the financial condition, results of operations, the MWS, properties, assets, Liabilities or future prospects of the other Party, any Affiliate of the other Party or any customer or supplier of such other Party or any such Affiliate will not be published, disclosed or made accessible by any of them to any other Person at any time or used by any of them, in each case, without the prior written Consent of the other Party; provided, however, that the restrictions of this sentence do not apply (i) as may otherwise be required by Law, (ii) to the extent such Confidential Information has otherwise become publicly available, and (iii) as to Buyer, to disclosure by or on its behalf to regulatory authorities or other third parties whose Consent or approval may be required to consummate the Contemplated Transactions and to its lenders and professionals for the purpose of obtaining financing of such transactions. In the event of termination of negotiations or failure of the Contemplated Transactions to close for any reason whatsoever, each Party promptly will destroy or deliver to the other Party and will not retain any documents, work papers and other material (and any reproductions thereof) obtained by each Party or on its behalf from such other Party or its subsidiaries as a result of this proposal or in connection therewith, whether so obtained before or after the execution hereof, and will not use any

information so obtained and will cause any information so obtained to be kept confidential and not used in any way detrimental to such other Party.

28. TERMINATION. This Agreement can be terminated at any time before the Closing only upon the following:

- A. By mutual written Consent of City and Buyer;
- B. By either Party, upon written notice to the other Party, if the Closing has not occurred on or before the date that is 60 days after the effective date of the CPUC Order (unless extended in writing by both Parties); provided, however, that the right to terminate this Agreement under this Section is not available to any Party whose breach under this Agreement has caused or resulted in the failure of the Closing to occur on or before such date;
- C. By either Party, upon written notice to the other Party, if there is any Law that makes consummation of the Contemplated Transactions illegal, or if any court of competent jurisdiction or other competent Governmental Authority issues a judgment, Order, decree or injunction or taken any other action permanently restraining, enjoining or otherwise prohibiting the Contemplated Transactions, and such statute, rule, regulation, Order, decree or injunction or other action becomes final and non-appealable; provided, however, that the Party seeking to terminate this Agreement pursuant to this Section must have used all commercially reasonable efforts to remove such judgment, injunction, Order or decree;
- D. By Buyer, if a Material Adverse Effect occurs; or
- E. By either Party, within 60 days after the effective date of the CPUC Order, by written notice to the other Party if this Agreement and the Contemplated Transactions are not approved by the CPUC in a manner acceptable to the Parties.

29. TAX REPORTING AND WITHHOLDING--NON-FOREIGN STATUS.

- A. The Foreign Investment in Real Property Tax Act of 1980, as amended by the Tax Reform Act of 1984, places special requirements for tax reporting and withholding on the parties to a real estate transaction where the transferor (City) is a non-resident alien or non-domestic corporation or partnership, or is a domestic corporation or partnership controlled by a non-resident or non-resident corporation or partnership.
- B. City advises Buyer that City is NOT a “foreign person” for the purposes of Section 1445 (as may be amended) of the Code, and that, in accordance with the provisions of Section 1445, City must execute an affidavit under penalty of perjury setting forth City’s name, address, federal tax identification number, and certifying that City is not a “foreign person” in accordance with the provisions of the Code.

30. AMENDMENT AND MODIFICATION. No amendment, modification or supplement of any provision of this Agreement will be effective unless the same is in writing and is signed by the Parties.

31. ASSIGNMENTS. Neither Party may not assign or transfer any of its rights or obligations under this Agreement to any other person without the prior written consent of the other Party. If an assignment is approved, all provisions of this Agreement are binding upon, inure to the benefit of and are enforceable by or against the Parties and their respective heirs, executors, administrators or other legal representatives and permitted successors and assigns.

32. CAPTIONS; CONSTRUCTION. Captions contained in this Agreement and any table of contents preceding this Agreement were inserted as a matter of convenience and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof. In the event of an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties and no presumption or burden of proof will arise favoring or disfavoring any Party by virtue of the authorship of any provisions of this Agreement.

33. COUNTERPARTS; ELECTRONIC SIGNATURES. This Agreement may be executed by the Parties on any number of separate counterparts, and all such counterparts so executed constitute one agreement binding on all the Parties notwithstanding that all the Parties are not signatories to the same counterpart. In accordance with Government Code §16.5, the Parties agree that this Agreement, agreements ancillary to this Agreement, and related documents to be entered into in connection with this Agreement will be considered signed when the signature of a party is delivered by electronic transmission. Such electronic signature will be treated in all respects as having the same effect as an original signature.

34. ENTIRE AGREEMENT. This Agreement (together with its Exhibits, Schedules and Annexes) and the other Transaction Documents constitute the entire agreement between the Parties pertaining to the conveyance of the Acquired Assets and supersede all prior agreements, letters of intent, understandings, negotiations and discussions of the Parties, whether oral or written. All of the Exhibits, Schedules and Annexes attached to this Agreement are incorporated herein by reference.

35. CONSISTENCY. In interpreting this Agreement and resolving any ambiguities, the main body of this Agreement takes precedence over the attached Exhibits, Schedules and Annexes; this Agreement supersedes any conflicting provisions.

36. GOVERNING LAW. This Agreement and the rights and obligations of the Parties are governed by and construed and interpreted in accordance with the Laws of the State of California applicable to Contracts made and to be performed wholly within California, without regard to choice or conflict of laws rules.

37. LEGAL FEES, COSTS. Except as otherwise provided, all legal, consulting and advisory fees and other costs and expenses incurred in connection with this Agreement are to be paid by the Party incurring such costs and expenses.

38. **NOTICES.** All notices, Consents, requests, demands and other communications hereunder are to be in writing and are deemed to have been duly given, made or delivered: (i) when delivered in person or by e-mail (with confirmation of receipt), (ii) three Business Days after being deposited in the United States mail, first class postage prepaid, or (iii) in the case of overnight courier services, one Business Day after delivery to the overnight courier service with payment provided, in each case addressed as follows:

if to City, to City of Bellflower, 16600 Civic Center Drive, Bellflower, CA 90706, Attn: Jeffrey L. Stewart, City Manager, with a mandatory copy (which does not constitute notice) to Hensley Law Group, 2600 West Olive Avenue, Suite 500, Burbank, CA 91505, Attn: Karl H. Berger, or

if to Buyer, to California-American Water Company, 655 W. Broadway, Suite 1410, San Diego, CA 92101, Attn: Vice President, Legal, with a mandatory copy (which shall not constitute notice) to Zuber Lawler & Del Duca LLP, 777 South Figueroa Street, 37th Floor, Los Angeles, CA 90017, Attn: Josh Lawler,

or to such other address as any Party hereto may designate by notice to the other Parties in accordance with the terms of this Section.

39. **SEVERABILITY.** If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable, then such portion will be deemed modified to the extent necessary in the opinion of the court to render such portion enforceable and, as so modified, such portion and the balance of this Agreement will continue in full force and effect.

40. **SPECIFIC PERFORMANCE; ENFORCEMENT COSTS.** The Parties agree that failure to perform this Agreement cannot be adequately relieved by pecuniary compensation. Accordingly, either Party may compel specific performance of this Agreement in accordance with Civil Code §§3384, 3386, or 3389, and any other applicable Law. If successful in compelling specific performance, the prevailing Party will be entitled to recover all costs associated with such enforcement including, without limitation, reasonable attorneys' fees.

41. **THIRD PARTY BENEFICIARIES.** This Agreement and every provision herein is generally for the exclusive benefit of Buyer and City and not for the benefit of any other party. There will be no incidental or other beneficiaries of any of Buyer's or City's obligations under this Agreement.

42. **WAIVER OF COMPLIANCE; CONSENTS.** Any failure of a Party to comply with any part of this Agreement may be waived by the other Party only by a written instrument signed by the Party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition does not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.


43. **VENUE.** Exclusive venue for any action involving this agreement will be in Los Angeles County or in the Federal District Court in the District of California in which Los Angeles County is located.

44. WAIVER OF JURY TRIAL. TO THE FULLEST EXTENT PERMITTED BY LAW, EACH OF THE PARTIES IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE CONTEMPLATED TRANSACTIONS.

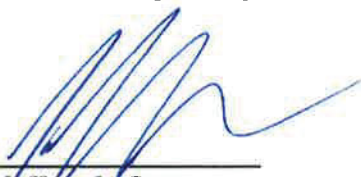
[Remainder of page intentionally left blank; signature page attached.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above:

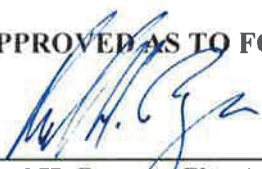
California-American Water Company,
a California corporation

By: 
Name: Richard E. Svindlar
Title: President

The City of Bellflower,
a California municipal corporation

By: 
Name: Jeffrey L. Stewart
Title: City Manager

APPROVED AS TO FORM:


Karl H. Berger, City Attorney

ATTEST:


Mayra Ochiqui, City Clerk

Annex A

RFP

See attached.

The City of Bellflower

Families. Businesses. Futures.

16600 Civic Center Drive, Bellflower, CA 90706

Tel 562.804.1424 Fax 562.925.8660 www.bellflower.org



May 10, 2016

Dear Interested Parties:

The City of Bellflower is now accepting Proposals for the purchase of the Bellflower Municipal Water System (MWS). The requirements for submitting a Proposal are stated in the attached Request for Proposal (the "RFP"). Please review them carefully. Any questions must be sent in writing to:

Mayra Ochiqui, City Clerk
Bellflower City Hall
16600 Civic Center Drive
Bellflower, CA 90706
Phone: (562) 804-1424, Ext. 2222
Email: mochiqui@bellflower.org

The City will conduct at least one informal telephone conference call to all acknowledged bidders. The date and time will be sent via e-mail approximately two (2) weeks after the RFP is distributed.

All Proposals are due to the City Clerk's Office at City Hall, at the address above, no later than **May 31, 2016, at 2:00 PM PST**. One (1) original and ten (10) copies of your Proposal response should be submitted in a sealed envelope or box plainly marked with the Proposal name and service description, as follows:

Request for Proposals
Attention: City Clerk
Name of Purchaser Submitting
RE: Proposal for Purchase of Bellflower MWS

We thank you for your time and attention in reviewing this RFP.

Sincerely,


Jeffrey L. Stewart
City Manager

Enclosures: Request for Proposal Package
Exhibit A - Description of Facilities
Exhibit B - Existing Financial Accounting of MWS
Exhibit C - Municipal Water System Boundary Map

>

Dan Koops
Mayor

Ron Schnablegger
Mayor Pro Tem

Ray Dunton
Council Member

Scott A. Larsen
Council Member

Sonny R. Santa Ines
Council Member

REQUEST FOR PROPOSALS

For The Purchase of The

**City of Bellflower
Municipal Water System**

**CITY OF BELLFLOWER
CALIFORNIA**

May 10, 2016

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Email: mochiqui@bellflower.org

The City will also conduct at least one informal telephone conference call to all acknowledged bidders. The date and time will be sent via e-mail approximately two weeks after the RFP is distributed.

All Proposals are due to the City Clerk's Office at City Hall, 16600 Civic Center Drive, Bellflower, CA 90706, no later than **May 31, 2016, at 2:00 PM PST**. One (1) original and ten (10) copies of your Proposal response should be submitted in a sealed envelope or box plainly marked with the Proposal name and service description, as follows:

Request for Proposals
Attention: City Clerk
Name of Purchaser Submitting
RE: Proposal for Purchase of
Bellflower MWS

We thank you for your time and attention in reviewing this RFP.

Sincerely,

Jeffrey L. Stewart
City Manager

Enclosures: Request for Proposal Package
Exhibit A – Description of Facilities
Exhibit B – Existing Financial Accounting of MWS
Exhibit C – Municipal Water System Boundary Map

Section 1 Introduction and General

REQUEST FOR PROPOSALS Purchase of the Bellflower Municipal Water System

1. INTRODUCTION

1.1. Objective.

The objective of this RFP is to solicit Proposals that will enable the City to determine which water agency/company will acquire the municipal water system (MWS) to best meet the City's needs. The purpose and intent of this RFP is to establish a Contract (Agreement) with a qualified water system operator (Purchaser) who will own and furnish all labor, equipment, materials, tools, insurance, supervision and all other items necessary and specified in the operation and maintenance of all MWS services. The City may award the Agreement(s) based upon the best interests of the City, notwithstanding price. Several Exhibits are attached to this RFP and are included in the request:

Exhibit A: Description of Facilities

Exhibit B: Existing Financial Accounting of MWS

Exhibit C: Municipal Water System Boundary Map

1.2. Description of Requested Services.

The City of Bellflower intends on selling the MWS assets to a qualified water agency/company. The successful water Purchaser will be required to enter into an Agreement with the City to continue to deliver water to its customers. As part of purchase, the City is selling its fixed assets which include the delivery system pipelines, water appurtenances, meters, 700 acre feet of its groundwater supply allocation, and high capacity groundwater well as described in Exhibit A attached to this RFP.

The purchase includes the City's Water System Net Assets which include Cash, Accounts Receivable and the above mentioned Fixed Assets. The description and value of these assets are included in Exhibit B attached to this RFP.

The City desires to transfer the water system billing and customer service functions to the successful Purchaser. Accordingly, this should be considered in pricing and planning for the transition of the Water Division to the successful bidder.

If the City Council determines that the sale of the MWS is in the best interest of the City once the proposals are received and evaluated, the sale of the MWS will be conditional on several subsequent processes/procedures including Council meetings and voter approval by ballot measure which will take place on

Section 1 Introduction and General

November 8, 2016 or in March at a Special Election.

1.3. Accuracy of RFP and Related Documents.

The City assumes no responsibility for conclusions or interpretations derived from the information presented in this RFP, or otherwise distributed or made available during this procurement process. In addition, the City is not bound or responsible for any explanation, interpretation or conclusions of this RFP or any documents provided by the City other than those provided by the City by issuing addenda. In no event can a bidder rely on any oral statement by the City or its agents, advisors or consultants. Should a bidder find discrepancies or omissions in this RFP or any other documents provided by the City, the bidder should immediately notify the City of such potential discrepancy in writing, and a written addendum may be made available to each bidder, via email, if the City determines clarification to be necessary. Each bidder requesting an interpretation will be responsible for delivering such requests to the City's designated representative as indicated in Section 2.3.

1.4. City Rights and Options.

The City at its sole discretion reserves the following rights:

- To cancel this RFP with or without the substitution of another RFP;
- To take any action affecting this RFP, this RFP process, or the Services or facilities subject to this RFP that would be in the best interests of the City;
- To issue additional requests for information;
- To require one or more bidders to supplement, clarify or provide additional information in order for the City to evaluate the Proposals submitted;
- To conduct investigations with respect to the qualifications and experience of each bidder;
- To waive any defect, formality or irregularity in any Proposal received;
- To reject any or all Proposals;
- To award all, none, or any part of the Services that are in the best interests of the City, with one or more of the bidders responding, which may be done with or without re-solicitation.
- To discuss and negotiate with selected Purchasers any terms and conditions in the Proposals including without limitation, financial terms; and,
- To enter into any Agreement, in a form approved by the City Attorney, deemed

Section 1 Introduction and General

by the City to be in the best interests of the City with one of the Purchasers responding.

1.5. Expense of Submittal Preparation.

The City accepts no liability for the costs and expenses incurred by the bidder in responding to this RFP, in preparing responses for clarification, in attendance at interviews, participating in contract development sessions, or in meetings and presentations required for the contract approval process. Each bidder that enters into the proposal process must prepare the required materials and submittals at its own expense and with the express understanding that the bidder cannot make any claims whatsoever for reimbursement from the City for the costs and expenses associated with the procurement process.

1.6 Proposal Conditions.

The following terms are applicable to this RFP and the Purchaser's Proposal.

1.6.1. RFP Not an Offer.

This RFP does not constitute an offer by the City, and does not commit the City of Bellflower to accept a proposal. No binding contract, obligation to negotiate, or any other obligation is created on the part of the City unless the City and the Purchaser execute an Agreement. No recommendations or conclusions from this RFP process concerning the Purchaser constitutes a right (of property or otherwise) under the Constitution of the United States or under the Constitution, case law or statutory law of California.

1.6.2. Right to Terminate Discussions.

The Purchaser's participation in this process might result in the City selecting the Purchaser to engage in further discussions. The commencement of such discussions, however, does not signify a commitment by the City to execute an Agreement or to continue discussions. The City can terminate discussions at any time and for any reason.

1.6.3 Requirement for Representation as to Accuracy and Completeness of Proposal.

Each Purchaser must make the following representations and warranty in its Proposal Cover Letter, the material misrepresentation of which might result in rejection of its Proposal:

"The information contained in this Proposal or any part thereof, including its exhibits, schedules, and other documents and instruments delivered or to be delivered to the City, are true, accurate, and complete to the

Section 1 Introduction and General

Purchaser's knowledge. This Proposal includes all information necessary to ensure that the statements therein do not in whole or in part mislead the City as to any material facts."

1.6.4. Trade Secrets/Confidentiality.

Upon receipt, Proposals may be considered a public record except for material which qualifies as "trade secret" information under California law. To properly designate material as trade secret under these circumstances, each Purchaser must take the following precautions:

- a. any trade secrets submitted by a Purchaser should be submitted in a separate, sealed envelope marked **"Trade Secret—Confidential and Proprietary Information—Do Not Disclose Except for the Purpose of Evaluating this Proposal,"** and
- b. the same trade secret/confidentiality designation should be stamped on each page of the trade secret materials contained in the envelope. Each original and copy of the Proposal must include all trade secret materials.

In submitting a Proposal, each Purchaser agrees that the City may reveal any trade secret materials contained in such response to all City staff and City officials involved in the selection process, and to any outside consultant or other third parties who serve on the Evaluation Committee or who are hired by the City to assist in the selection process. The City will use the same level of effort it takes as to its own confidential materials to ensure that trade secrets are not improperly disseminated. Furthermore, each Purchaser agrees to indemnify and hold harmless the City and each of its officers, employees, and agents from all costs, damages, and expenses incurred in connection with its refusal to disclose any material which the Purchaser has designated as a trade secret. **Any Purchaser that designates its entire Proposal as a trade secret may be disqualified.**

1.6.5. Statutory Requirements.

The Services performed by the Purchaser in accordance with an Agreement executed pursuant to this RFP must be in full conformance with all requirements, laws, rules and regulations of the State of California, all laws, rules, requirements and regulations of the Federal Government, and all local ordinances to the extent applicable.

1.6.6. Reservation of Right to Change Schedule.

It is the City's right to determine the timing and sequence of events resulting from this RFP. The City reserves the right to delay the closing date and time for any phase if City staff believes that an extension would be in the best interests of the

Section 1 Introduction and General

City.

1.6.7. Reservation of Right to Amend RFP.

The City reserves the right to amend this RFP at any time during the process, if it believes that doing so is in the best interests of the City. Any addenda will be mailed to all qualified Purchasers. Purchasers are required to acknowledge their receipt of each addendum by using the Addenda Receipt Confirmation Form set forth in Section 7, Form Two, with their Proposal.

1.6.8. Additional Evidence of Ability.

Purchasers must be prepared to present additional evidence of experience, qualifications, abilities, equipment, facilities, and financial standing. The City reserves the right to request such information at any time during the Proposal evaluations for this RFP.

1.6.9. No Collusion or Conflict of Interest.

By responding to this RFP, the Purchasers are deemed to have represented and warranted that the Proposal is not made in connection with any competing Purchaser submitting a separate response to this RFP, and is in all respects fair and without collusion or fraud.

1.6.10. Proposal Terms Firm and Irreversible.

The signed Proposal constitutes a firm offer on the part of the Purchaser. The City can negotiate pricing and services. All Proposal responses (including all statements, claims, declarations, prices and specifications in the Proposals) are considered firm and irrevocable for purposes of future contract negotiations unless specifically waived in writing by the City. The Purchaser chosen for award should be prepared to have its Proposal and any relevant correspondence incorporated into an Agreement, either in part or in its entirety, at the City's election. Any false or misleading statements found in the Proposal may be grounds for disqualification.

1.6.11. Use of the City's Name.

No advertising, sales promotion or other materials of the Purchaser or its agents or representatives may identify or reference the City in any manner without the City's prior written consent.

1.6.12. Withdrawal for Modification of Proposals.

Purchasers may change or withdraw their Proposals at any time before Proposal

Section 1 Introduction and General

submission deadline. Oral modifications, however, are not allowed. Only letters, mailed or hand-delivered, which are addressed in the same manner as the Proposal and received by the City before the Submission Date, will be accepted. The Proposal, when opened, will then be corrected in accordance with such written request[s], provided that the written request is contained in a sealed envelope, which is plainly marked "**Modifications to Proposal.**" Faxed or e - mailed modifications to any Proposal will not be accepted.

1.6.13. No Bribery.

In submitting a response to this RFP, each Purchaser certifies that neither it, any of its affiliates or subcontractors, nor any employees of any of the foregoing has bribed, or attempted to bribe, a City elected or appointed officer employee, agent, or consultant in connection with the Agreement.

1.6.14. Fair Trade Certifications.

By submitting a Proposal, the Purchaser certifies that in connection with this solicitation:

- a. The prices have been arrived at independently, without consultation, communication, or agreement, for the purpose of restricting competition, as to any matter relating to such prices with anyone;
- b. Unless otherwise required by law, the prices which have been quoted in its Proposal have not been knowingly disclosed by the Purchaser and will not knowingly be disclosed by the Purchaser before opening; and
- c. No attempt has been made or will be made by the Purchaser to induce any other person or firm to submit or not to submit a Proposal for the purpose of restricting competition.

1.6.15. Proposal Binding for 12 months.

Each Proposal must contain a statement to the effect that the Proposal is a firm offer for 12 months from the Submission Date. This statement must be signed by an individual authorized to contractually bind the Purchaser, and must include his/her name, title, address, and telephone number. All prices quoted must be firm and fixed for the full 12 month period.

1.6.16. Clarification of Ambiguities.

Any Purchaser believing that there is any ambiguity, inconsistency or error in this RFP must promptly notify the City in writing of such apparent discrepancy. Failure to notify will constitute a waiver of claim of ambiguity, inconsistency or

Section 1 Introduction and General

error. Any claim under this Section must be delivered to the City in accordance with the schedule set forth in Section 2 below.

1.6.17. Purchasers' Obligation to Fully Inform Themselves.

Purchasers or their authorized representatives are expected to fully inform themselves as to all conditions, requirements and specifications of this RFP before submitting Proposals. Failure to do so will be at the Purchaser's own risk. The delivery of Services is subject to the Bellflower Municipal Code and the State of California Department of Drinking Water laws in effect at the time. In addition, Purchasers must be familiar with Public Utilities Code § 10061 which governs the procedures for selling the MWS.

1.6.18. Disclaimer.

Each Purchaser must perform its own evaluation and due diligence verification of all information and data provided by the City. The City makes no representations or warranties regarding any information or data provided by the City.

Section 2 Procurement Process

2.0. DESCRIPTION OF THE MWS PROCUREMENT PROCESS.

2.1. Schedule and Process.

The following table shows the schedule of events to assist in the preparation of the Purchaser's Proposal. The key events and deadlines for this process are as follows, some of which are set forth in more detail in the Sections that follow:

MWS Procurement Procedure Calendar	Date
Begin distribution of RFP	May 10
Regular City Council Meeting	May 23
Deadline for submission of proposals	May 31
Regular City Council Meeting. City Council sets a date for a public hearing to consider proposals received	June 13
Regular City Council Meeting. City Council holds a public hearing and considers whether to adopt a resolution to sell the MWS to a specific buyer along with other actions necessary to place the matter on the November 8 th ballot	June 27
Regular City Council Meeting	July 11
Regular City Council Meeting	August 8
Last day for submission of ballot measures to Los Angeles County	August 12
Last day for acquiring entity to make required disclosure to existing customers	October 9
Election Day	November 8
Special Election	March 2017

Issuance of the RFP. The City issues the RFP to a list of providers and others who expressed interest. **May 10, 2016** is the date of issuance.

Submission of Written Questions. Purchasers are permitted to submit questions in

Section 2 Procurement Process

writing only to the City, but only for purposes of clarifying this RFP or to identify ambiguities, inconsistencies or errors. All such questions must be in writing and mailed, hand-delivered, faxed or, preferably, e-mailed to Mayra Ochiqui at the address and number listed in Section 2.3 and must include the name of the Purchaser contact person to receive the City's answers. Questions are due no later than **2:00 p.m. on May 25, 2016 (last day for all questions)**.

Proposal Submission. Proposals are due by **2:00 p.m. on May 31 2016** at the City Clerk's Office, City Hall, 16600 Civic Center Drive, Bellflower, CA 90706. All Proposals will be time-stamped upon receipt and held in a secure place until the evaluation team begins its evaluation.

Proposed Award Date. The Evaluation Team will review all submitted proposals and prepare a summary review for presentation to the City Manager and City Attorney. The review will then proceed to the preparation of a staff recommendation to the City Council at its regular meeting scheduled for June 27, 2016. If for any reason the evaluation period and report to the City Council are delayed, all bidders whose proposals were evaluated will be advised of a revised schedule as soon as possible.

Proposed Start Date – This date is dependent on the outcome of the election ballots which are submitted on November 8, 2016 or on a potential City Council action to delay the decision until March 2017.

2.2. Interpretations and Addenda.

No interpretation or clarification of the meaning of any part of this RFP will be made orally to any Purchaser with the exception of questions answered at the Pre-Proposal Conference. Otherwise, Purchasers must request such interpretations or clarifications in writing from the City. Requests for information or clarification of this RFP must be made in writing and addressed to Mayra Ochiqui at the address, fax, or e-mail address listed below, with e-mail being the preferred method. Questions should reference the RFP page and topic number.

Mayra Ochiqui, City Clerk
Bellflower City Hall
16600 Civic Center Drive
Bellflower, CA 90706
Phone: 562-804-1424, Extension 2222
E-Mail: mochiqui@bellflower.org

When responding to Purchaser questions, the City will mail the answer or information to all Purchasers. You must submit your questions by **2:00 p.m. (Pacific Time) no later than May 25, 2016**.

The City reserves the right to disqualify any Purchaser who contacts a City employee, or agent concerning this RFP other than in accordance with this Section. Nothing in this

Section 2 Procurement Process

Section prohibits the City from conducting discussions with Purchasers after the Proposal opening.

2.3. Submission of Proposals.

Each Purchaser must submit one (1) original Proposal signed in ink by a Purchaser official authorized to make a legal and binding offer, along with the corporate seal, plus ten (10) copies to the address listed in 2.2 above by **May 31, 2016, at 2:00 p.m. (Pacific Time)**. The "original" Proposal and each of the ten (10) copies must be complete and unabridged, with all copies including, if applicable, trade secret information, and cannot refer to any other copy or the signed/sealed original for any references, clarifications, or additional information. Proposals may also include a compact disc (cd) setting forth the entire Proposal in searchable format such as Adobe Acrobat. When received, all Proposals and supporting materials, as well as correspondence relating to this RFP, become the City's property. **Proposals sent by facsimile or e-mail will not be accepted. Proposals, or any part thereof, received after the deadline are not considered.**

2.4. Correction of Errors.

The person signing the Proposal must initial erasures or other corrections in the Proposal. The Purchaser further agrees that in the event of any obvious errors, the City reserves the right to waive such errors in its sole discretion. The City, however, has no obligation under any circumstances to waive such errors.

2.5. Evaluation.

The evaluation of proposals will be conducted by the Evaluation Committee, which will be selected by the City. All members of the Evaluation Committee will agree to hold the information in all Proposals confidential during the evaluation process and until the results are made available to the public by the City. The evaluation may include activities as follows:

- a. As part of the evaluation process, the Evaluation Committee may engage in discussions with any bidding Purchaser. Discussions might be held with individual Purchasers to determine in greater detail the Purchaser's qualifications, to explore with the Purchaser the scope and nature of the required contractual Services, to learn the Purchaser's proposed method of performance and the relative utility of alternative methods, and to facilitate arriving at an Agreement that will be satisfactory to the City.
- b. The City may at its discretion require one or more Purchasers to make presentations to the Evaluation Committee or appear before the City and/or its representatives for an interview. During such interview, the Purchaser

Section 2 Procurement Process

may be required to orally and otherwise present its Proposal and to respond in detail to any questions posed. Additional meetings may be held to clarify issues or to address comments, as the City deems appropriate. Purchasers will be notified in advance of the time and format of such meetings.

- c. Because the City may choose to award an Agreement without engaging in discussions or negotiations, the Proposals submitted must define the Purchaser's best offer for purchasing the MWS and providing the services described in this RFP.

2.6. Conditional Award by City Council.

As soon as practical after the opening of the Proposals and their evaluation (as set forth above), the name of the apparent successful Purchaser(s) will be submitted to the City Council for consideration. Unless otherwise decided by the City Council, the evaluation process will not be more than 3 weeks. If the Purchaser is approved by City Council, the City Council must place the question of selling the MWS on the ballot for voter ratification. An Agreement will only be provided, and negotiated, should a sale be ratified by a majority of voters. All eligible voters within the City's jurisdictional boundary may vote on the ballot measure. The final terms of the Agreement requires approval of the City Attorney as to form and substance.

2.7. Post-Award Conference.

A Post-Award Conference, if an Agreement is awarded, will be held at a date after the November 2016 election or the March 2017 Special Election once the ballot count is completed.

Section 3 Scope of Services

3. SCOPE OF PURCHASE OF BELLFLOWER MUNICIPAL WATER SYSTEM (MWS) SERVICES.

3.1. General Scope.

The MWS currently provides water service to 1,824 customers within its service area, or approximately 10% of the City of Bellflower. The service area being sold is divided into seven geographically separate service areas. The existing system consists of 78,488 feet of pipes ranging in size from 2- to 12 inch diameter and one high capacity water well as well as 700 acre feet of the City's groundwater allocation. The system includes approximately 1,823 meters and 79 fire hydrants. The Purchaser is responsible for providing Services for all the potable water deliveries, system operation and maintenance, capital improvements, rate establishment, billing/collections/customer service and compliance reporting to the State of California DDW as well as being accountable to the community being served. The boundaries of the water system are approximately 10% of the City Limits and are shown in Exhibit C. The successful Purchaser must agree not to raise water service rates to the ratepayers included in the MWS service area for a minimum of 5 years.

3.2. Scope of Water System Services.

This section provides a framework for accomplishing the tasks that result in maintaining a safe potable water system for the residents of the City of Bellflower that are included in the MWS service areas (7 total areas). The intent of the work is to own, operate and maintain the existing potable water distribution system and high capacity groundwater well. This includes the management of the system, financial accounting and responsibilities, Department of Drinking Water (DDW) reporting and regulatory compliance, backflow prevention identification and compliance, customer service meter reading and invoicing, response to customer service complaints, capital improvement project identification and implementation and long range potable water system master planning as it relates to the MWS. The Contract will set forth the Services to be provided in detail including any modifications agreed to by the parties.

3.2.1.- Municipal Water System (MWS) Specifications.

The Purchaser should describe:

- How it will maintain and operate the existing MWS;
- How it will respond to water emergencies (line breaks, contamination, drought readiness, etc.) in order to continue to provide water to the affected community;

Section 3 Scope of Services

- How it will establish relationships with adjacent water purveyors to provide emergency supplies and to develop a mutual aid response; and
- How it will obtain information on the needed improvements to the water system, establish a rate structure after the initial rate set period described above and implement the proposed rate structure.

3.3. Care and Diligence.

The Purchaser is solely responsible for all water system damages resulting from the Purchaser's vehicles, employees, actions or omissions. Describe how this activity is controlled and reported.

3.4. Office Facilities.

The Purchaser is required to take over all MWS water system billing and customer service functions from the City. The Purchaser must maintain a local Bellflower telephone number and qualified attendants as may be necessary to ensure communication between the City and Purchaser and to receive and process bills, complaints and/or to receive instructions and directions from the City. The Purchaser must maintain bill payment and customer service functions with provision for a payment outlet within the City limits.

3.5. Public Education and Community Outreach.

The Purchaser must develop Public Education and Community Outreach Programs in partnership with the City and other appropriate parties as they relate to drought awareness and conservation. The public education program must include information on water use reduction, in support of the City, County, and State water conservation programs and goals. The City intends to partner with the successful Purchaser and take reasonable steps to make available to the Purchaser its own means of publicizing citywide public information. All education information must be reviewed and approved by the City in advance of publication and distribution to residents and businesses. Material must have at least a one week review period.

3.6. Reporting.

The Purchaser is responsible for maintaining and submitting all regulatory and outside agency reports on a daily, monthly, and annual basis as required by the various agencies. The Purchaser will indemnify the City from any fines or penalties that may result from incomplete, tardy or rejected reports.

Section 3 Scope of Services

3.6.1 Annual Report.

The obligation to submit an annual report will survive the termination or expiration of the Agreement. The annual water system report must be submitted in draft form to the City Public Works Director, or designee, a minimum of 30 calendar days before public distribution.

3.6.2 Coordination.

The Purchaser must have regular (monthly) contact with the City Public Works Director and provide a report on water system activities in the MWS as well as upcoming coordination items that will affect or have the potential to affect the City functions.

3.7. Pricing.

All pricing related to the Proposed Services must be included on a separate and detailed Proposal package. Current rates for the water system must remain in place without increase for a period of 5 years after the implementation date.

3.8. Current Water System Data.

For current water system data, see Exhibit A attached hereto.

3.9. Labor Force.

Purchaser's approach should reflect industry best practices with regard to employment levels, staff training, education, and experience of management personnel.

The Proposal should include the following information:

- a. The description of the Purchaser's staff to be employed and the role of each member, identifying all key personnel, in performing the proposed service(s). Attach resumes of all managers and senior-level supervisors who will be involved in the management and delivery of the services. Include all information as requested in RFP Section 4;
- b. Proposed organizational structure, interrelationships, and interactions and specific plan describing how Purchaser will work with the City;

Section 4 Proposal Format

4. PROPOSAL FORMAT.

Each Proposal should be in the format described below: Maximum number of pages is 50 total pages

- a. Cover Letter;
- b. Executive Summary;
- c. Proposed Solution;
- d. The "Requests for Proposals Acknowledgement Form" Section 7, Form 1;
- e. The "Addenda Receipt Confirmation Form" set forth in Section 7, Form 2;
- f. Exceptions to the Remainder of the RFP; and
- g. Statement of Qualifications
- h. All Proposals must be 8 1/2" x 11" format with all standard text no smaller than eleven (11) points. All submissions should use two-sided copying and be bound in a left-hand spine or three-ring binder with tab dividers corresponding to the content requirements specified below. Proposals may also include a compact disk including the entire Proposal in a searchable format such as Adobe Acrobat.

Purchasers are required to organize the information requested in this RFP in accordance with the format outlined. Failure of the Purchaser to organize the information required by this RFP as outlined may result in the City, at its sole discretion, deeming the Proposal non-responsive to the requirements of this RFP. The Purchaser, however, may reduce the repetition of identical information within several sections of the Proposal by making the appropriate cross-references to other sections of the Proposal. Appendices for certain technical or financial information may be used to facilitate Proposal preparation.

4.1. Proposal Content.

4.1.1. Cover Letter

The Proposal must include a letter of transmittal attesting to its accuracy, signed by an individual authorized to execute binding legal documents on behalf of the Purchaser. This cover letter must provide the name, address, telephone, email address and facsimile numbers of the Purchaser along with the name, title, address, telephone, email address and facsimile numbers of the executive who has the authority to Agreement with the City. The cover letter must present the Purchaser's understanding of the Project, a summary of the approach to be undertaken to perform the Services, as well as a summary of the costs to provide the Services.

Section 4 Proposal Format

4.1.2. Executive Summary

The Purchaser must submit an executive summary, which outlines its Proposal, including the proposed general management philosophy. The executive summary must, at a minimum, include an identification of the proposed management team, assign a Purchaser point of contact for the project, give the responsibilities of the management team, and a summary of the proposed Services.

This section should also highlight aspects of the Purchaser's Proposal, which make it superior or unique in addressing the City's needs.

4.1.3. Proposed Solution/Scope of Services

Each Proposal should outline in detail how the Services are to be performed and the time frame associated with each aspect of the project.

This section should include the following:

- I. Understanding of Scope-of-Services and Plan of Action
 - a. This section should explain, to a sufficient level of detail, the range of services that the Purchaser is offering to the City of Bellflower and how this range of services will be provided to the City, both immediately and in the longer term.
 - i. Purchasers should explain how they will provide service in the Agreement area
 - o What type/number of personnel, how many hours per day personnel will work
 - o What type/number of vehicles (or other equipment)
 - o Any other relevant and descriptive information
 - o Description and location of facilities
 - o Supervisory approach and structure
 - ii. Purchasers should provide a detailed description of an implementation plan that will allow for a transition from the existing City provided service delivery system to the service system they will provide.
 - o What are the core elements of the transition plan
 - o Who will be responsible for executing the plan
 - o How long will plan execution take
 - iii. Identify Key Personnel and provide descriptions of the role of each in providing potable water services to the City. Also,

Section 4 Proposal Format

provide descriptions of the background and experience of each.

II. Pricing

- a. Price or Rate per Household--provide a price proposal for all proposed options. Current rates must remain in effect for a period of 5 years with no increase.
- b. Pricing proposal explanation – Please explain how you would structure the water rate levels. For example, explain how the residential, commercial and industrial rate structures would be established.

III. Customer Service.

Purchasers should include in their proposals – to the extent applicable – the following:

- a. Describe the Purchaser's customer service philosophy and describe how it is communicated and reinforced throughout the organization;
- b. Describe the Purchaser's approach to total quality management, and how your current customers benefit from your service improvements;
- c. Describe the Purchaser's complaint resolution procedures;
- d. Describe the nature of service improvements and increase in customer satisfaction that the Purchaser has been able to achieve in environments comparable to the City's in size and complexity;
- e. Describe the methodology the Purchaser uses to handle a client's unhappy customer. How does the Purchaser regain that customer's confidence?
- f. Describe the emergency plan in place that the Purchaser will take to deal with emergency situations such as extreme cold temperatures, fire, or natural disaster which may require a deviation from the normal operating procedures. The emergency plan should address customer notification procedures and include emergency contact information.

IV. Personnel Management.

Describe the following items in your Proposal in the proposed solution section:

- a. Explain how the Purchaser ensures that personnel performing the Services are qualified and proficient.

Section 4 Proposal Format

- b. Describe the Purchaser's training programs and policies for individuals who are involved in providing services. How frequently are these programs and policies reinforced?
 - o Drug Policy
 - o Anti-Discrimination Policies and Procedures
- c. Describing the approach that the Purchaser will use to provide employment opportunities to any displaced City employees resulting from this procurement.
- d. Describe how the Purchaser handles additional staffing needs for vacations, illnesses, resignations, etc.
- e. Has the Purchaser had significant workers compensation issues within the last five (5) years? Describe the circumstances and the resolution of the issue(s).
- f. Has the Purchaser been the subject of a dispute or strike by organized labor within the last five (5) years? Describe the circumstances and the resolution of the dispute.
- g. Has purchaser been convicted of a felony or misdemeanor, had claims from jurisdictions where they currently operate or been cited by local, state or federal agency.

V. Customer Relationship Management.

Describe the following items in your Proposal in the proposed solution section:

- a. Describe how the Purchaser will inform customers of their potable water usage, State mandated conservation programs, invoice balance, water rate structure; and
- b. Describe the Purchaser's record keeping procedures in detail.

VI. Exceptions to the RFP.

An "exception" is defined as the Purchaser's inability or unwillingness to meet a term, condition, specification, or requirement in the manner specified in the RFP. All exceptions taken must be identified and explained in writing in the Proposal and must specifically reference the relevant section(s) of this RFP. Other than exceptions that are stated in compliance with this Section, each Proposal is deemed to agree to comply with all terms, conditions, specifications, and requirements of this RFP and any contract that may result from it. If the Purchaser provides an alternate solution when taking an exception to a requirement, the benefits of this alternate solution and impact, if any, on any part

Section 4 Proposal Format

of the remainder of the Purchaser's solution, must be described in detail.

Section 5 Evaluation Criteria

5. PROPOSAL EVALUATION CRITERIA.

Proposals will be evaluated based on the Purchaser's ability to meet the performance requirements of this RFP. This section provides a description of the evaluation criteria that will be used to evaluate the Proposals. To be deemed responsive, it is important for the Purchaser to provide appropriate detail to demonstrate satisfaction of each criterion and compliance with the performance provisions outlined in this RFP. Proposals must contain information specifically related to the proposed Services and specifically requested herein. Failure of any Purchaser to submit information requested may result in the elimination of the Proposal from further evaluation. Proposals will be evaluated on the following major categories:

- o Overall Solution;
- o Cost Effectiveness and Value;
- o Historical Managed Water System Compliance Record; and
- o Mandatory Elements.

5.1. Evaluation Procedures.

5.1.1 *Review of Proposals*

The proposals will be evaluated and scored during the review process by the Evaluation Committee. The technical section of each proposal will be evaluated before the pricing section. Purchasers with an unacceptably low score after the technical review part of the evaluation will be eliminated from further consideration.

After the composite score for each firm has been established, the dollar price section will be scored based on the price quote. The maximum score for price will be assigned to the Purchaser offering the lowest total all-inclusive maximum rate. Appropriate fractional scores will be assigned to other proposers.

The City of Bellflower reserves the right to retain all proposals submitted and to use any idea in a proposal regardless of whether that proposal is selected.

5.1.2 *Evaluation Criteria*

Proposals will be evaluated using three sets of criteria. Purchasers meeting the mandatory criteria will have their proposals evaluated and scored for both technical qualifications and price. The following represent the principal selection criteria that will be considered during the evaluation process:

1. Mandatory Elements

Section 5 Evaluation Criteria

- a. The Purchaser is licensed to do business in the State of California.
- b. The Purchaser has staff that are licensed to perform the operation and maintenance of the potable water system.
- c. The firm adheres to the instructions in this Request for Proposal on preparing and submitting the proposal.
- d. The firm submitted a copy of its last quality control review report and the firm has a record of compliance with the DDW regulations and no current or recent DDW violations.

2. Technical Quality

- a. Expertise and Experience
The Purchaser's past experience and performance on comparable government Agreements.
The quality of the firm's supervisory personnel to be assigned to the "Project"
- b. Approach of the Management of the Water System to be provided
Adequacy of proposed staffing and equipment plan for performance of the Services.

3. Price

**PRICE WILL NOT BE THE SOLE FACTOR IN THE
SELECTION OF A PURCHASER**

5.2. Overall Solution.

Purchasers will be evaluated based upon their understanding, experience and qualifications in performing the same or substantially similar Services, as reflected by their experience in performing such Services. The evaluation will include other communities where the Purchaser currently owns, operates and maintains a potable water system, and the feasibility of the Purchaser's approach for the provision of the Services.

5.3. Cost Effectiveness and Value

Under this criterion, Proposals will be compared in terms of reasonable, and or most effective pricing option[s] for delivering potable water service. Purchasers should note that the City will be contemplating the proposed price in conjunction with the overall

Section 5 Evaluation Criteria

customer service as part of the evaluation.

5.4. Acceptance of the Terms of the Agreement.

The City will evaluate the Proposals for compliance with the terms, conditions, requirements, and specifications stated in this RFP.

5.5. Mandatory Elements.

The City considers the following elements mandatory to be able to sell the MWS to a Purchaser:

- a. The Purchaser will impose no rate increases for the first five years.
- b. The successful Purchaser will make an offer for the City's fixed assets as noted in Exhibit A.

Section 6 Contract Requirements

6. CITY CONTRACTING REQUIREMENTS.

The City will enter into an Agreement written by the City with the successful Purchaser that incorporates the terms of this RFP; contains the terms and conditions set forth in this Section; and includes such additional terms and conditions required by applicable law. Such Agreement will be provided (and may be negotiated) after (and if) voters approve of the MWS sale. Notwithstanding the foregoing, the City reserves the right to change the proposed Agreement terms and conditions before or during Agreement negotiations if it is in the City's best interest to do so. The terms and conditions set forth in this Section are not all-inclusive. The City will propose additional terms and conditions based on the responses to this RFP and the City's analysis of the successful Purchaser's Proposal. As used in this Section of the RFP, the term "Agreement" refers to the Agreement entered into between the City and the successful Purchaser, and the term "Purchaser" refers to the successful Purchaser.

6.1. Transition Plan

Within fifteen (15) days of receipt of Agreement Award notification, the Purchaser must prepare and submit to the City for approval a comprehensive and detailed Transition Plan, which describes in detail all tasks and resources associated with the transition from the City's current operations to the Purchaser by the Agreement Start date (the "Transition Plan"). The Transition Plan in the form approved by the City must be attached and incorporated into the Agreement as an exhibit. The Transition Plan must spell out in detail all steps, tasks, activities, events, and resources necessary for the Purchaser to provide for a smooth and efficient transition from the current potable water system operations and maintenance to the Purchaser, with minimum disruption to the City's operations. The Transition Plan will contain a timeline and completion date for all such tasks and activities. The Transition Plan must include a public awareness and education plan. The Purchaser will ensure that certain essential operations as set forth in the Transition Plan will not be interrupted by any part of the Project. The Purchaser must seek the City's input in developing the Transition Plan, and the Transition Plan is not deemed final until accepted in writing by the City. The Transition Plan must be maintained by the Purchaser, and updated and submitted to the Director of Public Works, or designee, on a weekly basis throughout the transition period, to reflect the current status of all work. Aside from updates to show tasks accomplished, no changes to the Transition Plan can be made without the City Manager's, or designee's, prior written approval. The City has the right to audit, on its own behalf or through agents, the Transition Plan and the progress of all work throughout the implementation of the Services. The City and/or its agents is entitled to conduct such audits on a regular weekly basis, and on a random periodic basis, as the City may elect.

Section 6 Contract Requirements

6.2. Duty of the Purchaser to Identify and Request Information or Personnel.

As part of the Transition Plan and throughout the duration of the Agreement, Purchaser must identify and request from the City: (i) all information reasonably required by the Purchaser to provide for a smooth and efficient migration to the Service Area; (ii) the City's personnel whose presence or assistance may be required by the Purchaser to perform each task required for the transition effort; and (iii) any other resource required by the Purchaser for the transition effort. The Purchaser will not be relieved of any failure to perform under the Agreement Documents by virtue of the City's failure to provide any information, personnel or resources: (a) that the Purchaser failed to identify and request in writing from the City pursuant to this Section; or (b) which the City is not required to provide pursuant to the Agreement.

6.3. Financial Security for Proposal (Bid Bonds).

Prospective Purchasers are required to file with their Proposals financial security equal to 10% percent of the total bid. This financial security must be in the form of a bid bond, certified check or letter of credit. In order to be acceptable as financial security, a bid bond must be issued by one or more surety companies legally authorized to do business in California which retain as capital no less than the amount of the issued bond and said bond must be in form approved by the City of Bellflower. If the bonding company executes the bond through an attorney-in-fact, a Power of Attorney showing authority to act must accompany the bond.

6.4. Execution of Proposal.

Proposals must be executed, by the following persons:

- I. CORPORATION - The President or Vice President, and one of the following: Secretary, Treasurer, Assistant Secretary or Assistant Treasurer. If a Proposal is executed by any other person, a power of attorney, a copy of the bylaws, or a resolution of the Board of Directors documenting the authority of that person to sign the Proposal must accompany the Proposal. The power of attorney, bylaw, or resolution must be certified by the Corporate Secretary as a true and correct copy, still in force as of the date of the execution of the Agreement
- II. PARTNERSHIP - At least one (1) of the partners.
- III. SOLE PROPRIETORSHIP - The individual owner.
- IV. BUSINESS OPERATING UNDER A FICTITIOUS NAME - Entities operating a business under a Fictitious Name must execute the Agreement in the name of the person or entity trading and doing business under the Fictitious Name.

Section 6 Contract Requirements

6.5. Execution of Financial Security.

Any financial security furnished must be an original, fully executed by both the prospective Purchaser and the surety or sureties in ink and be in a form acceptable to the City. Where the prospective Purchaser is a corporation, the security must be signed by two officers of the corporation who have been duly authorized to do so by appropriate action of the corporation, and the seal of the corporation must be affixed. Where the prospective Purchaser is an individual or individuals, the security must be signed by the individual or individuals affixing the signature to the bid. Changes or additions to bid security or to the signatures thereon are not permitted after the opening of Proposal.

6.5. Anti-Discrimination.

Purchaser cannot discriminate in its employment on the basis of race, color, religion, ancestry, national origin, place of birth, sex, age, disability, non-job related handicap, or sexual orientation.

Purchaser must also comply with the applicable provisions of Title I and Title II of the Americans with Disabilities Act, any amendments thereto and any regulations issued thereunder. Purchaser must incorporate, in any sub-contracts which may be permitted under the terms of the Agreement, a requirement that said sub-contracts also comply with the provisions of this section.

6.6. Agreement not to be Awarded to Persons in Arrears to City.

No Agreement will be awarded to any corporation, firm or individual who is, for any reason, in arrears to the City or who has failed, in any former Agreement with the City, to perform work satisfactorily, either as to the character of the work or the time consumed in its completion.

6.7. Purchaser to Sustain All Losses.

It is agreed that all loss or damage arising out an Agreement, for any unforeseen obstruction or difficulties which may be encountered in the performance of the Services or from the action of the elements, or from any cause whatsoever, will be sustained and paid for by the Purchaser until final payment has been made under the Agreement.

6.8. Each Party To Bear Its Own Negotiation Costs.

Each party will bear its own cost of negotiating an Agreement and developing the exhibits. The City cannot be charged for any Services or other work performed by the Purchaser before the Effective Date.

Section 6 Contract Requirements

6.9. No Publicity.

No advertising sales promotion or other materials of the Purchaser or its agents or representations may identify or reference this Agreement or the City in any manner without the prior written consent of the City.

Section 7 Required Forms

REQUEST FOR PROPOSALS ACKNOWLEDGEMENT FORM

The Purchaser hereby certifies receipt of the Request for Proposals package for the City RFP "Municipal Water System Purchase." This form should be completed upon receipt of the City's Request for Proposals and faxed or mailed in time for the City to receive it by or before June 2, 2016. Include a copy with your Proposal submission. Please mail, fax or e-mail the completed Form to the attention of:

Mayra Ochiqui, City Clerk
Bellflower City Hall
16600 Civic Center Drive
Bellflower, CA 90706
Phone: (562) 804-1424, Ext. 2222
Fax: 562-925-8660
Email: mochiqui@bellflower.org

Date: _____

Authorized Signature: _____

Title: _____

Purchaser Name: _____

Please check the appropriate space provided below and complete the requested information:

Yes. We plan to submit a Proposal in response to the RFP titled, "Municipal Water System Purchase".

Primary Contact Name: _____

Contact E-mail address: _____

Contact phone: _____ Fax number: _____

Secondary Contact Name: _____

Contact E-mail address: _____

Contact phone: _____ Fax number: _____

We **do not** plan to submit a Proposal in response to the RFP titled, "Municipal Water System Purchase".

Reason:

Section 7 Required Forms

ADDENDA RECEIPT CONFIRMATION FORM

Municipal Water System Purchase

Please fax this form upon receipt of addenda to the City Clerk's Office:

Mayra Ochiqui, City Clerk
Bellflower City Hall
16600 Civic Center Drive
Bellflower, CA 90706
Phone: (562) 804-1424, Ext. 2222
Fax: 562-925-8660
Email: mochiqui@bellflower.org

ADDENDUM #: DATE ADDENDUM AVAILABLE:

I certify that this Proposal complies with the General and Specific Specifications and conditions issued by the City except as clearly marked in the attached copy.

(Please Print Name)

Date

Authorized Signature

Title

Purchaser Name

CURRENT WATER SYSTEM DATA

The City-owned Municipal Water System serves 1,824 customers representing approximately 10% of the City and located in seven geographically separate service areas. The MWS system's infrastructure includes one active high capacity water well, 700 acre feet of the City's groundwater allocation, four abandoned water wells, 78,488 lineal feet of pipeline, 1,823 meters, and 79 fire hydrants.

**RFP for Purchase of the
City of Bellflower Municipal Water System
May 2, 2016**

Existing Financial Accounting of MWS

- **Bond Reserve - \$543,000 (can only be used to pay off COP bonds)**
This reserve is held in a debt service account by the Bank of New York Mellon as security for COP bond holders.
- **High Capacity Well Reserve - \$152,000**
A reserve fund set aside for emergency repairs to the High Capacity Well.
- **Rate Stabilization Reserve - \$100,000**
A reserve fund set aside to absorb any unanticipated rate increases or water consumption decreases that will impact revenue required to operate the system.
- **Operating Cash – \$200,000+ (estimated)**
Remaining cash flow of the MWS at the time of the sale of the system.
- **Accounts Receivable - \$280,000 (estimated)**
An estimated total of amounts receivable from water sales.

Annex B

Proposal

See attached.



CALIFORNIA
AMERICAN WATER

PROPOSAL
FOR THE PURCHASE OF THE
Bellflower Municipal Water System

Submitted
June 7, 2016

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Robert MacLean
California American Water
1033 B Avenue, Suite 200
Coronado, CA 92118
www.calamwater.com

P 619-522-6361
F 619-522-9651

June 7, 2016

Ms. Mayra Ochiqui
Bellflower City Hall
16600 Civic Center Drive
Bellflower, CA 90706

RE: Proposal for the purchase of the Bellflower Municipal Water System

Dear Ms. Ochiqui:

California-American Water Company ("California American Water") is pleased to submit this proposal ("Proposal") for the potential purchase of the City of Bellflower's Municipal Water System (MWS) per the Request for Proposals ("RFP") issued by the City of Bellflower on May 10, 2016. California American Water is excited about the opportunity to move forward in this process.

In addition to our extensive presence in Los Angeles County, California American Water provides water and wastewater service to more than 600,000 Californians through approximately 175,000 customer connections. California American Water is a corporation organized under the laws of the State of California and a Class A regulated water utility organized and operating under regulation by the California Public Utilities Commission. California American Water provides water and wastewater service in parts of Los Angeles, Monterey, Placer, Sacramento, San Diego, Sonoma, Ventura and Yolo counties.

As a subsidiary of American Water, the largest publicly traded U.S. water and wastewater utility company, we bring bench strength and expertise to the table that others cannot. American Water employs 6,400 dedicated professionals who provide drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found at www.amwater.com.

California American Water is proud of its heritage serving as a long standing, regulated water and wastewater utility in the State of California. And, we are especially proud of American Water's heritage of over 130 years of continuous water and wastewater utility service. Our team of qualified water resources professionals stands ready to work with the City to execute a viable succession plan.

We truly value this opportunity to participate in this RFP process and to become the future dedicated water service provider for the customers of the Bellflower MWS. We are hopeful the City will find our Proposal to consolidate the Bellflower MWS with California American Water's Southern California Division and proposed purchase price of seventeen million dollars (\$17,000,000.00) to be highly favorable. This firm offer, subject to the exceptions herein, is valid for term of twelve (12) months from the date of this letter.

The information contained in this Proposal or any part thereof, including its exhibits, schedules, and other documents and instruments delivered or to be delivered to the City, are true, accurate, and complete to the Purchaser's knowledge. This Proposal includes all information necessary to ensure that the statements therein do not in whole or in part mislead the City as to any material facts.

Sincerely,

X 

Thomas F. Brunet
Vice President, Business Development
California American Water
4701 Beloit Drive
Sacramento, CA 95838
(W) (916) 568-4271
(F) (916) 568-4286
thomas.brunet@amwater.com

X 

Robert G. MacLean
American Water
President, California and Hawaii
1033 B Avenue, Suite 200
Coronado, California 92118
(W) (619) 522-6361
(F) (619) 522-9651
robert.maclean@amwater.co

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1. Executive Summary

California-American Water Company (“California American Water”) is pleased to submit this proposal (“Proposal”) to the City of Bellflower (“City”) for the purchase of the Bellflower Municipal Water System (“MWS”) as described in the Requests for Proposals issued by the City on May 10, 2016. California American Water is an established, state-regulated water service provider in California, serving approximately 175,000 water and wastewater connections. As described in detail below, our Los Angeles District operations center is located strategically in the City of Rosemead, which would allow for excellent customer responsiveness to the areas currently served by the Bellflower MWS.

California American Water proposes a purchase price of seventeen million dollars (\$17,000,000.00) as described in the Price Proposal below.

A key component of our proposal is a request for exception to the five-year rate stay-out as mandated in the RFP. We are proposing a two-year rate stay-out provision as we believe our competitive rates and low income assistance program would better meet the needs of Bellflower’s customers. This would keep customers on existing rates until 12/31/20 and then bring them onto our rates, which at this point are lower than the City’s. An explanation of how our approach is both unique and superior to other likely candidates is also described in the Price Proposal below.

We eagerly await the City’s response to our Proposal. Statements of Qualifications of all California American Water’s relevant team members are provided in Appendix A.

Our acknowledgements of all addenda to the RFP are included in Appendix B.

Should the City have any questions or would like to discuss any provision herein, please contact Thomas Brunet, Vice President of Business Development by phone at (916) 568-4271 or by email at thomas.brunet@amwater.com

2. Local Services and Plan of Action

California AmericanWater – Los Angeles District

California American Water’s Los Angeles District serves the communities of Bradbury, Duarte, Rosemead, San Marino and Temple City as well as Baldwin Hills, Ladera Heights and View Park. The Los Angeles District serves approximately 29,832 customer connections through nearly 340 miles of pipeline. The Los Angeles District source of supply is from both groundwater from the Main and Central San Gabriel Basins and purchased water from the Metropolitan Water District (“MWD”).

Convenient Customer Service. California American Water’s Los Angeles district headquarters is based in the City of Rosemead and serves as an operations center for Los Angeles County. The Bellflower MWS resides well within the Los Angeles District’s service radius and local

service capability. Our Company has partnered with several nationwide merchants such as Walmart and Kmart, which serve as convenient neighborhood payment centers. Bellflower MWS would have other convenient payments options such as online bill pay and electronic or paperless billing. We are proud of the service our call center provides and customers have direct access to a live human being after hours in case of an emergency.

In May of this year, California American Water celebrated its being ranked in the top quartile in the Western region for customer satisfaction in J.D. Power's 2016 Water Utility Residential Customer Satisfaction Study. Not only were we ranked in the top quartile in the Western region, but our customer communications were 6th most memorable nationally.

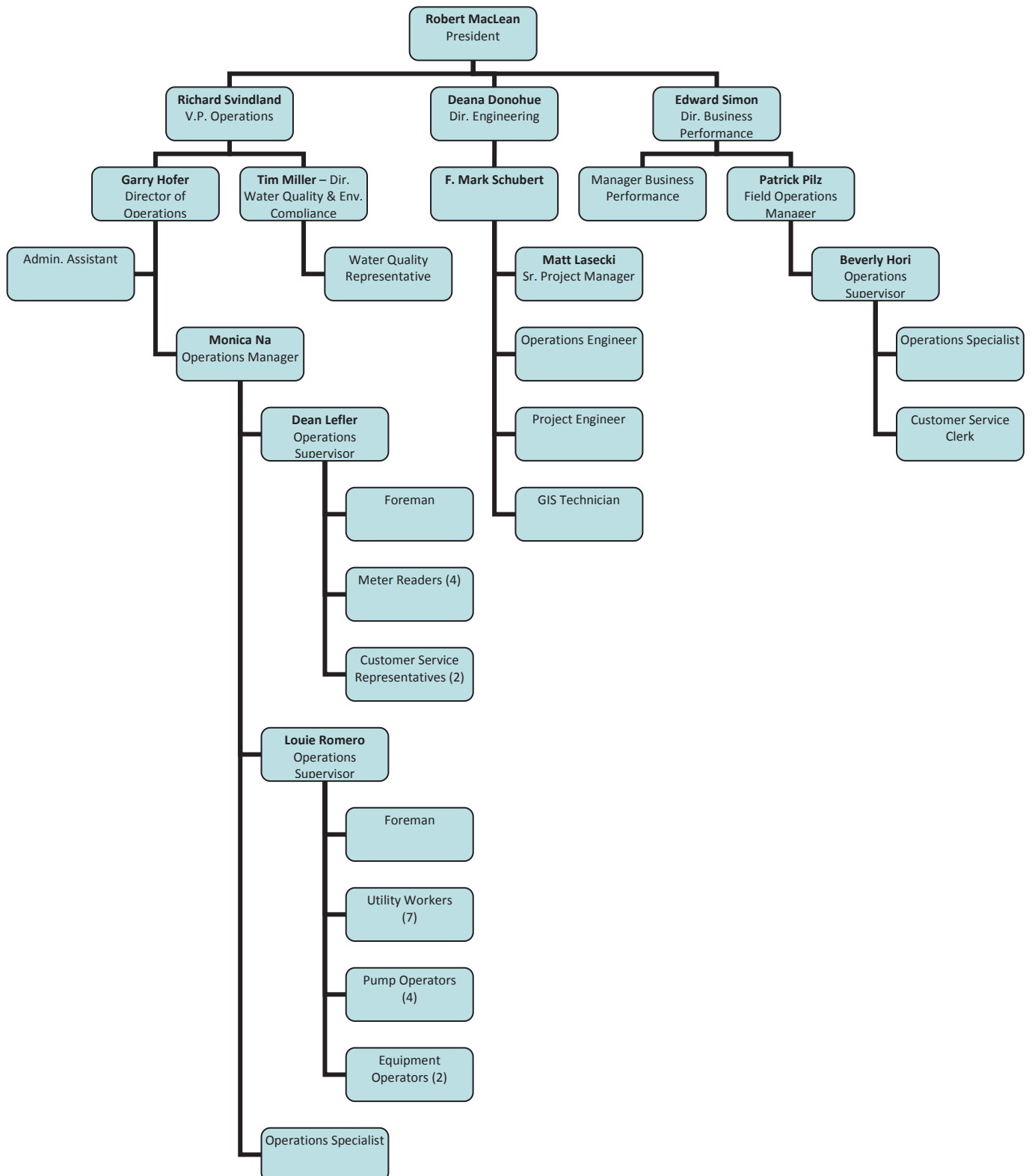
Local Resources. As a member of California American Water's family of customers, the Bellflower MWS customers would benefit from the expertise of our on-staff water professionals – from engineers to operations staff to water quality experts. These professionals understand water system operations, California's highly sensitive ecosystems, and the State's progressive regulatory environment.

Local Management and Staff. California American Water's Los Angeles District is staffed with thirty-nine (39) full time employees who are ready to meet the needs of future Bellflower MWS customers. Garry Hofer oversees our operations in Los Angeles, San Diego and Ventura Counties. Mr. Hofer's resume is included in Appendix C. Operations Manager, Monica Na, is responsible for the day to day operations of the Los Angeles District. Ms. Na's resume is included in Appendix C. Senior Project Manager, Matt Lasecki, is responsible for capital project delivery and engineering. Mr. Lasecki's qualifications are included in Appendix A. Operations Supervisor, Dean Lefler, oversees eight union represented employees, including one foreman, four meter readers, and two customer service representatives. Mr. Lefler's resume is included in Appendix C. Operations Supervisor, Louie Romero, oversees fourteen union represented employees, including one foreman, seven utility workers, four pump operators, and two equipment operators. Mr. Romero's Resume is included in Appendix C. Operations Supervisor, Beverly Hori, oversees one operations specialist and one customer service clerk. Ms. Hori's resume is included in Appendix C.

In addition to the aforementioned employees, California American Water's Los Angeles District staff includes a manager of external affairs, a manager of business performance, a water conservation representative, a water quality and environmental compliance representative, two project engineers, a GIS technician, an operations specialist, and an administrative assistant.

An organizational chart, which illustrates the management structure of California American Water's Los Angeles District, is included below.

Table 1. Organizational Chart – California American Water Los Angeles District



Transition Plan – Acquisition Integration

California American Water has a very active and robust Acquisition Integration Program. The Acquisition Integration team in California is led by Ed Simon, Director of Business Performance. Our Acquisition Integration team meets and corresponds on a regular basis to coordinate transition teams and activities to achieve success. Listed below is a summary of a transition plan that would safeguard the interest of all stakeholders, and would provide a seamless transition to customers.

Our plan addresses all activities necessary to ensure the continued operation of the system during changeover, including those necessary to meet regulatory and licensing requirements, and those contributing to the highest levels of water quality and customer service.

Our plan is founded on four principles:

- Maintaining or improving quality of service.
- Developing a collaborative operating strategy.
- Implementing a maintenance strategy.
- Communicating and reporting.

California American Water would provide the operational resources, technical support, and management services necessary to complete a smooth transition.

Transition Team - California American Water would establish a transition team consisting of highly experienced managers, support personnel and corporate resources. The team includes resources from operations, human resources, information technology, health and safety, customer service, environmental, and legal teams. Most of these resources are located in our Southern California Division offices which would allow for quick response to issues if they were to arise.

Transition Process - The transition process consists of three main segments:

- Post Award through contract execution;
- Post contract execution through voter and regulatory approval; and
- Closing and post-closing activities.

Post Award through contract execution - During this period, the following activities would be managed by the various California American Water functional group leaders in order to address all necessary technical, customer service and legal activities required to bring about an executed purchase and sale agreement. We assume the City would work directly with our team to ensure clear and exact communication and actions that will include the following:

- Contract negotiation.
- Asset evaluation.
- Customer education and communication.
- Customer service setup and customer systems transition.
- Capital asset planning and review.

- Environmental planning and review, including permit management.
- Regulatory and Legal communications and filings.
- Emergency plan updates.
- Contract execution

Post contract execution through voter and regulatory approval – California American Water has a well-documented track record of achieving successes in an often arduous regulatory environment. Two key components – voter approval (“Referendum Activities”) and California Public Utilities Commission (“CPUC”) approval (“Regulatory Approval”) are essential to achieving a successful transition. Activities that would address these key components are as follows:

- **Referendum Activities**
 - Work with the City to develop a voter education plan.
 - Assist the City in public outreach to customers to listen and to explain the referendum.
 - Meetings with key local stakeholders.
 - Public information campaign in coordination with the City.
- **Regulatory Approval**
 - Soon after successful negotiation of a definitive contract, California American Water would correspond with the CPUC to begin the approval process. CPUC approval is required for California American Water to provide service to this area and for approval of all rates to be charged.
 - After voter approval is received and contract is executed, formal filing would be made with the CPUC.
 - California American Water would expect the City to support our efforts in this application.

Closing and post-closing activities – California American Water utilizes a comprehensive acquisition integration checklist tool which assigns specific actions to functional leaders to ensure that customer service levels and technical compliance remain high. Specific actions required to finalize the transition process are as follows:

- **Customer Records Transfer**
 - Meeting between Company and City Information Technology staff to discuss transfer of information – approximately three months before closing.
 - Transfer program written by Company.
 - Initial transfer of data.
 - Testing of data.
 - Final transfer of records at closing.
- **IT Review**
 - Inventory of all computer equipment.
 - Verification of software licenses.
 - Verification of back up procedures – to ensure no loss of data before closing.
- **Closing Activities**
 - Preparation of closing documents.

- Final inspection of facilities.
- Closing and transfer of money.
- Establish payment locations within City.
- Send customer information letters.
- Train customer service representatives at the American Water Customer Service Center on the critical elements of Bellflower MWS system: rates, geographic areas, contact information, etc.
- Turnover of the facilities
 - Meet with or notify the different interest groups affected prior to the Acquisition Date, such as Division of Drinking Water (“DDW”), CPUC, Metropolitan Water District, Central Basin Watermaster, and other utility service providers in the vicinity.
 - Transfer utilities by closing date.
 - Contact vendors to ensure adequate supply of chemicals and other materials before closing.
- Equipment
 - Inspect all equipment included in the acquisition shortly after the referendum has been approved by the voters.
 - Inspect all equipment included in the acquisition within two weeks of the acquisition date.
 - Inventory spare parts and materials.
 - Order necessary materials for operation at time of closing.
- Permits
 - Notify the DDW of the change in ownership of the water system.
- Operation and Maintenance
 - California American Water’s security standards will be applied to Bellflower’s facilities within a reasonable time frame.
 - California American Water will provide telephone customer service, toll-free, through American Water’s 24/7 Customer Service Center.
 - In order to provide on-demand customer responsiveness, California American Water’s field customer service personnel would receive their scheduled work from the American Water Call Center using laptops mounted in their trucks using a radio connection.
- Emergency and Contingency Plan
 - Review existing plans.
 - Work with Bellflower and other emergency responders to ensure proper communication channels.
 - Revise plans.
 - Train personnel.

3. Price Proposal

Price Proposal

Purchase Price. California American Water is pleased to propose a purchase price (“Purchase Price”) in the amount of **seventeen million dollars (\$17,000,000.00)**, subject to the contingencies and exceptions identified below, for the purchase of the Bellflower MWS assets as described in Exhibit A of the RFP.

Proposal Contingencies

Proposed Future Rates. To ensure future financial and operational viability of the acquired system after the close of the acquisition, this Proposal assumes an initial rate stay-out from the transaction close until 12/30/20. A future agreement to purchase the Bellflower MWS would be conditioned on California American Water’s ability to propose rate changes for the acquired system through the company’s next regularly scheduled general rate cases under the CPUC’s rate case plan (e.g., with new rates effective January 1, 2021). A five-year rate stay-out may be contrary to the CPUC’s statutory duty to set just and reasonable rates for customers, as well as the CPUC’s obligation to review in a general rate case the utility’s operations and set rates that balance investment, conservation, and affordability. (See CPUC Water Action Plan).

Moreover, we expect our approach to have essentially the same effect as a rate stay-out because under our approach, on 1/1/21 customers would come onto our rates, which are currently lower than the City’s. While the rates will change between now and 2021, when comparing typical use at 10 and 15 CCF, California American Water’s rates as compared to our CPUC-regulated peers in the Los Angeles Metropolitan Area are even more competitive. But most importantly, our proposal of a two-year versus five-year rate stay-out would allow for a less-encumbered inclusion of Bellflower MWS’s low income customers into California American Water’s Low Income Ratepayer Assistance Program, as this program requires a small surcharge on non-low-income customers’ bills within a participating service area.

Assistance to Bellflower’s Low Income Customers. Pending approval by the CPUC, low income households would qualify for reduced rates through our Low Income Ratepayer Assistance Program (“LIRAP”). This program grants a 20% discount to qualified low income households on the monthly fixed meter charge and volumetric charges for Tier 1 and Tier 2 consumption. Impact of the proposed rate increases to low income customers would be substantially mitigated by LIRAP.

Consolidation With Existing Tariff Groups. California American Water has been successful in gaining California Public Utilities Commission (“CPUC”) approval for the consolidation of recently acquired water and wastewater systems in California. The Proposal assumes the CPUC would similarly approve a consolidation of Bellflower’s MWS with California American Water’s Southern Division.

4. Customer Service - Overview, Organization, and Operations

California American Water

Corporate Expertise. California American Water is a well-established regulated water and wastewater utility in California and has a proven track record of quality performance. Our dedicated employees provide high-quality and reliable water and wastewater services to our six service districts in California. Our exclusive business in California is the ownership and operation of water and wastewater systems that provide reliable service to residential, commercial and industrial customers.

California American Water is committed to delivering high-quality service to our water and wastewater customers while concurrently protecting our environment and public health. We conduct thousands of water quality tests each year, monitoring quality at every phase of the water treatment process.

Our team of professionals works around the clock to monitor, maintain and upgrade facilities that serve our communities to ensure that they operate efficiently and meet ever-changing federal and state regulatory standards. This requires significant investment in infrastructure, including treatment plants, pump stations, wastewater collection and potable water distribution infrastructure.

California Operations

California American Water owns and manages six CPUC-regulated districts in California and serves a population of over 630,000 people in the Counties of Los Angeles, San Diego, Ventura, Monterey, Sacramento, Placer, Yolo, and Sonoma. California American Water employs nearly 300 professional staff and water industry tradespersons. California American Water provides potable water service to approximately 175,000 customer connections and wastewater service to over 2,700 connections within its regulated district operations in California. Summaries of each district are provided below.

Los Angeles District. California American Water's Los Angeles District serves the communities of San Marino, Rosemead, Duarte, and Baldwin Hills. The Los Angeles District serves approximately 29,832 customer connections through nearly 340 miles of pipeline. The District source of supply is from both groundwater from the Main and Central San Gabriel Basins and purchased water from the Metropolitan Water District (MWD.)

San Diego District. California American Water's San Diego District serves approximately 21,777 connections in the communities of Coronado, Imperial Beach and parts of San Diego through approximately 175 miles of pipeline. The San Diego District's source of supply is purchased water from MWD.

Ventura District. California American Water's Ventura District serves approximately 21,281 customer connections in portions of Thousand Oaks, including Newbury Park and Los Vientos Ranch, and portions of unincorporated Ventura County, including Las Posas Estates through over 256 miles of pipeline. The Ventura District's source of supply is from MWD purchased through Calleguas Municipal Water District.

Monterey District. California American Water's Monterey District serves potable water to approximately 40,826 customer connections the Cities of Monterey, Sand City, Seaside, Del Rey Oaks, and Pacific Grove, plus the areas of unincorporated Monterey County including Carmel Valley, Ryan Ranch, Hidden Hills, Toro, Pasadera, Ambler, and Chualar through over 600 miles of pipeline. The Monterey District also provides wastewater service to nearly 2,500 customers in the communities of Las Palmas Ranch, Carmel Valley Ranch, Spreckels, Indian Springs, Oak Hills, Pasadera, White Oaks, and Village Green. The District's water supply is from various sources including non-adjudicated groundwater, groundwater from the adjudicated Seaside Basin, pre-1914 rights on the Carmel River, Sand City Desalination Plant, and additional rights on the Carmel River secured through an aquifer storage and recovery program. California American Water is in process of permitting one of the largest desalination plants to be proposed in California. This plant would supply potable water to the Monterey Peninsula communities to offset State-imposed diversion limits on the Carmel River.

Sacramento District. California American Water's Sacramento District provides water service to approximately 60,048 customers in Sacramento and Placer Counties through over 620 miles of pipeline. Source of supply in the Sacramento district is both from groundwater and purchased water through Placer County Water Agency. The Sacramento District also provides wastewater service to 243 customer connections in the Town of Dunnigan.

Larkfield District. California American Water's Larkfield District serves potable water to approximately 2,374 customer connections in the community of Larkfield-Wikiup through nearly 35 miles of pipeline. Larkfield's source of supply is both from groundwater and purchased water through Sonoma County Water Agency.

Emergency Response Plan. California American Water's Los Angeles District has a written Emergency Response Plan (ERP), which is to be used by staff in the event or threat of an unexpected or catastrophic loss of water supply. The ERP consists of detailed action items to address the following emergency scenarios that have the potential to result in a catastrophic loss of water supply:

- Bomb threat.
- Chemical storage.
- Chemical/Hazardous material release.
- Dam and Levee Failure,
- Destruction/Failure of any part of the water system.
- Evacuation.
- Fire/Explosion.
- Medical emergency.
- Power failure.
- SCADA system attack (electronic/data).
- SCADA system attack (physical).
- Severe weather/Natural disasters.
- Sheltering-in-place.

- Terrorist/Hostile attack.
- Threat and identification of contamination to the water system.
- Unauthorized entry.
- Workplace violence.

American Water

California American Water is a subsidiary of American Water Works Company, Inc. ("American Water"), a Delaware corporation, the largest and most geographically diversified publicly-traded, U.S. water and wastewater utility company, as measured by both operating revenue and population served. This year, American Water is celebrating 130 years of delivering high quality services to customers. Founded in 1886 as the American Water Works & Guarantee Company, it was reorganized in 1935 under its current name. In 1947 the common stock of American Water began publicly trading on the New York Stock Exchange under the ticker symbol "AWK". More than 6,400 American Water employees provide approximately 15 million people with drinking water, wastewater and other water-related services in over 30 states and two Canadian provinces.

Member - Dow Jones Utility Average. In 2014, American Water became the first water utility ever to be honored by being added to the Dow Jones Utility Average (DJUA). The DJUA is a 15 member index that represents the stock performance of large, well-known U.S. companies within the utilities sector.

Member - S&P 500. On March 2 of 2016, it was publicly announced that American Water was named to the Standard & Poor's 500 Index ("S&P 500"). The S&P 500 is the finance and investment industry's primary standard for ranking the top 500 companies in the United States.

American Water has two operating segments, one of which consists of 20 locally-managed utility subsidiaries, like California American Water, whose rates are regulated by the states in which they operate. The map below illustrates the distribution of these services by state. American Water's regulated subsidiaries operate in approximately 1,600 communities in 19 states. The company's primary operating assets, substantially all of which the company owns, include approximately 90 surface water treatment plants, 600 groundwater treatment plants, 1,200 groundwater wells, 60 wastewater treatment facilities, 1,300 treated water storage facilities, 1,300 pumping stations and 100 dams and 49,000 miles of



American Water Footprint January 2011

mains and collection pipes.

American Water's service operation and maintenance responsibilities include water supply and treatment; transmission mains; distribution systems; high- and low-lift pump stations; ground reservoirs; water towers and tanks; and the installation, repair and reading of water meters. For wastewater services, American Water provides operation and maintenance of treatment plants utilizing a variety of technologies, including zero effluent discharge, pressure sewers and collection systems, pump stations and reuse.

As noted above, American Water has also provided water and wastewater operation and maintenance contract services to the public sector—for more than 60 years. Since 1992, American Water's contract operations services to the public sector have been directly

provided by its Contract Services Group, a wholly owned operating subsidiary dedicated to performing operation and maintenance and design-build-operate contracts. Through public-private partnerships, American Water has accepted responsibility for a wide range of facilities, from large treatment plants rated at 200 million gallons a day to systems designed for small residential communities, with terms extending up to 50 years. Clients have included federal, regional and municipal entities.

Obviously, the range of management responsibilities for the utilities American Water operates varies with the size and specific parameters of each system. These diverse facilities have provided American Water operators and process experts with thorough experience in the operation and maintenance of every possible type of treatment technology. In order to successfully offer these services, American Water brings a community of in-house water and wastewater professionals and experts — managers, engineers, operators and scientists — who share their knowledge and information developing and implementing corporate-wide best operating practices.

5. Capital Investment – Philosophy and Practice,

California American Water

Investing In Our Communities. We intend to invest capital prudently to enable us to continue to provide essential services to our regulated water and wastewater utility customers. Investing in our infrastructure is critical to our mission of serving our customers quality and reliable water and wastewater service.

We have a strong and ongoing commitment to investing in infrastructure and keeping it updated and we are committed to delivering excellent service that our customers depend upon at an exceptional value. In California alone, we have invested over \$300 million since 2010 to improve service to our customers. Every year, we deliver system improvements to the communities we serve – from extending water and sewer mains to upgrading plant equipment. These investments will help us continue to provide quality water and wastewater service. To keep customers up to date on project progress, we post regular updates at www.californiaamwater.com.

American Water

With its significant national infrastructure footprint, American Water’s corporate resources provide significant benefits for our communities and customers.

Infrastructure Investment. American Water estimates that it will fund capital investments of over \$1 billion per year on its owned systems over the next five years. This capital improvement program includes both the replacement of existing infrastructure as needed and construction of new facilities to meet environmental requirements or system growth.

Maintaining the reliability of the pipes in the company’s water distribution and wastewater collection systems is a key activity of American Water’s engineering and planning divisions. Main renewal programs are ongoing in all states in which the company’s regulated

subsidiaries operate. These programs consist of both rehabilitation of existing mains and replacement of mains that have reached the end of their useful service life.

Process Design. American Water's involvement in water and wastewater projects includes the development of project requirements, drafting potential solutions, evaluating alternatives, establishing a project budget and performing preliminary design work. American Water takes an active role in defining design criteria for all of its new facilities, or existing facilities that require modification, testing new technologies and leading-edge treatment processes and design.

Engineering. American Water's centralized corporate planning and engineering division lays the foundation for the capital expenditures of American Water's regulated subsidiaries. American Water engineers have handled a wide variety of system evaluations, selecting treatment processes and establishing critical design criteria for water and wastewater treatments systems in order to improve operations and prioritize capital improvements. Examples include modifications to water and wastewater facilities, installation of water system transmission mains, well drilling programs, cleaning and lining of distribution mains, pump station and lift station additions and improvements, sludge handling facilities, and automation of facilities for improved operations and remote monitoring.

Consolidated Purchasing. Beginning in 2004, American Water formed a central group of purchasing professionals to work with our operations, engineering and other functional departments to implement the principles of strategic sourcing. In the past twelve years, American Water customers have realized measurable benefits from leveraging the scale of our purchasing across the company.

Research and Development. American Water offers significant in-house research and development capabilities. Belleville, Illinois, is home to our state-of-the-art quality control and research laboratory. Established as a formal research and development program in 1981, the Belleville lab has been dedicated to improving water quality and the effectiveness of water and wastewater operations. Research and development personnel are also located at our headquarters in Voorhees, New Jersey and our research laboratory in Delran, New Jersey. Since its inception, our research and development program has evolved to become an industry-leading research program, achieving advancements in the science of drinking water, including sophisticated water testing procedures and desalination technologies.

6. Personnel Management

Personnel Qualifications and Proficiencies. California American Water requires that all personnel are qualified and proficient at performing their assigned duties. For example, our water and wastewater treatment and distribution operators are required to maintain current and valid licensure through the State of California. Our engineers are qualified and duly licenced professional engineers (P.E.)

Personnel Training. California American Water is committed to continuous improvement of its workforce and provides for ongoing training opportunities to employees at all levels. California American Water employees receive training, both mandatory and voluntary, through a number of educational programs implemented by the Company. For example, all California American Water employees are required to satisfactorily complete safety training on an annual basis. American Water also provides online training via its website-based learning center. Employees can view mandatory training assignments via their online accounts as well as complete the training within the same convenient web based module. In addition to in-house training, California American Water offers a generous tuition reimbursement package for employees who satisfactorily complete qualifying courses of study.

Personnel Policies. California American Water has executed multiple personnel policies and to effectively guide its staff in achieving compliance with both internal and external regulations, law, and requirements. Employees have convenient access to Company policies via our website based personnel policies library. A list of some of these policies is included below:

- Drug Policy.
- Code of Ethics Policy (including workplace conduct, anti-harassment, and anti-discrimination).
- Communications and External Affairs Policy
- Enterprise Risk Management Policy,
- Financial Reporting Policy.
- General Accounting Policy.
- Compensation and Benefits Policy.
- Leaves of Absence Policy.
- Recruitment and Staffing Policy.
- Separation of Employment Policy.
- Talent and Performance
- Time, Attendance and Paid Time Off Policy.
- ITS Governance Policy
- ITS Operations Policy
- ITS Security Policy
- Sensitive Information Security Policy
- Delegation of Authority
- Personal Securities and Insider Trading Policy
- Related Person Transaction Policy
- Affiliate Transaction Procedures
- Capital Policy

Displaced City Employees. Per addenda and clarification provided by the City, California American Water does not anticipate that any City employees would be displaced due the proposed acquisition.

Other Personnel Matters. Within the last five years, California American Water has not had any significant workers compensation issues, and has not been the subject of a dispute or strike by organized labor. Additionally, California American Water has not, within the past five years, been convicted of a felony or misdemeanor, or had claims from jurisdictions where it currently operates or been cited by a local, state or federal agency with respect to any personnel management matter.

7. Customer Relationships – Billing, Conservation, and Recordkeeping

Informed Customers. California American Water provides convenient access to customers' billing information and rate structure. An example of a typical water bill and full explanation of the bill's key elements is included in Appendix E.

Conservation Programs. California American Water is fully committed to its continued implementation of water conservation best management practices ("BMP") in all service districts. We have been successful in executing our plan to comply with the governor's directive to reduce water consumption by 20 percent by 2020. Our dedicated conservation team provides regular public outreach events to help educate our customers of available BMPs. Informative mailers are included with our regular customer billings.

Recordkeeping. Our customer service center has immediate access to customers' billing information, consumption and other pertinent data via our integrated SAP managed database to assist customers in a highly responsive and efficient manner.

8. Exceptions to the RFP

- a. **CPUC Approval.** This Proposal, including all conditions, contingencies and exceptions, and any subsequent asset purchase agreement between California American Water and the City are subject to regulation by, and contingent upon approval by, the CPUC.
- b. **Comprehensive Due Diligence.** California American Water would have an opportunity to complete comprehensive due diligence including, but not limited to, completion of phase 1 environmental assessments for all properties to be acquired prior to entering into an asset purchase agreement with the City.
- c. **City Designated Easement for High Capacity Well Site.** This proposal is contingent upon the City agreeing to grant California American Water, at closing and at no additional cost, an easement at the High Capacity Well site for suitable access and operation of the facility.

- d. **Two-year versus five-year rate stay-out.** This Proposal is contingent upon the City accepting the proposed two-year rate stay-out period as described in the Price Proposal and Proposal Contingencies included above.
- e. **Cash Reserve and Accounts Payable.** California American Water proposes to pay an additional dollar for dollar amount in exchange for cash reserves that would be transferred to the Company at closing. California American Water would pay an additional \$0.90 per dollar for verified accounts payable to the City for valid customer debts that would be transferred to the Company at closing. Accounts payable with less than one year remaining prior to expiration due to the State of California statute of limitations shall be deemed uncollectible and would not be included in the accounts payable balance. California American Water assumes the City would continue to pursue collection of its accounts payable through the close of sale.
- f. **Future Wheeling Agreement with Bellflower-Somerset MWC.** This Proposal is contingent upon Bellflower-Somerset Mutual Water Company agreeing to reasonable terms and consideration for a future water wheeling agreement that would allow for the continued service of Bellflower MWS customers by the High Capacity Well.

APPENDIX A
California American Water
Acquisition Management Team Qualifications

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City of Bellflower
Proposal for the Purchase of the Municipal Water System



Robert MacLean,
President, California American Water

Robert MacLean has served as President of California American Water since April of 2009 and President of Hawaii American Water since November of 2011. Mr. MacLean joined American Water in 1999. Prior to his current position, he was the director of Field Operations for New Jersey American Water, serving approximately 2.5 million people. Prior to joining New Jersey American Water, Mr. MacLean served in various other roles within the American Water organization. He worked for American Water's market-based business, serving as vice president of Contract Operations. In this role, Mr. MacLean was responsible for managing more than thirty large contract operations and directed approximately 750 employees in both the United States and Canada. He was responsible for drinking water production to over 4 million people through several of the company's largest and most sophisticated treatment facilities and for wastewater services to 1.8 million people.

In March 2013, Mr. MacLean was elected to the California Chamber of Commerce board of directors. In July 2012, he was elected to the board of directors of the National Utilities Diversity Council ("NUDC"), a national non-profit organization focusing on the growth of diversity in the utilities industry. He also serves on the board of the National Association of Water Companies ("NAWC").

Ed Simon,
Director of Business Performance,
California American Water

Ed Simon is California American Water's Director of Business Performance. Mr. Simon is responsible for managing and reporting key performance metrics and overall state of the business. Most notably, Ed also very effectively manages California American Water's Acquisition Integration Program. Ed is responsible for coordinating all functional groups within California American Water and our parent company American Water to achieve a timely and organized transition of all newly acquired water and wastewater systems in California and Hawaii.

Ed joined the California American Water team January 2010 as Vice President of Operations where he was responsible for directing the day-to-day operations and maintenance for our California and Hawaii regulated utility service, which serves over 185,000 water and wastewater service connections. He has more than 20 years of customer service, operation support and operations experience.

Ed's tenure with American Water began February 2001. He has held a number of key positions with American Water including Call Handling Supervisor, Business Services Liaison, Missouri American Operations Manager and Director, Customer Relations. At Missouri American Water, he worked in the St. Louis County Operations, one of the largest districts in American Water. Ed managed the districts field service, meter reading and customer service support functions. He developed and implemented American Water's Central States Customer Relations Team with expanded responsibility to the Western Division.

Prior to joining American Water, Ed held various management positions in the property/casualty insurance industry. He earned a Bachelor of Arts in Organizational Studies degree from Fontbonne University.

Rich Svindland, P.E.* (*Georgia and Kentucky)
Vice President of Operations, California American Water

Rich Svindland is a Professional Engineer with 24 years of experience in the water and wastewater fields working both as an engineering consultant and an owner. He currently serves as a Vice President and Director of Engineering for California American Water and Hawaii American Water with overall responsibility for the planning, design and construction of over \$400M in capital projects. His areas of expertise include civil, sanitary, structural, mechanical and hydraulic design, preparation of contract documents, and construction management for all types of water and wastewater projects.

Mr. Svindland spends over 60% of his time on two large Design-Build projects on the Monterey Peninsula. These projects are the Carmel River Reroute and San Clemente Dam Removal project which is an \$83M project that ultimately removes a silted in dam and restores fish passage and the Monterey Peninsula Water Supply Project which is a \$277 to \$320M project to replace over 70% of the service area's water supply with a new 9.6 or 6.4 MGD desalination plant, over 20+ miles of main, increased ASR capacity and potentially a groundwater recharge component.

Prior to these projects, he also worked for Kentucky American Water and the Southeast Region of American Water where he served as a Technical Lead and was a part of the company's Dam Center of Excellence group. Rich was named the 2003 Engineer of the Year in Industry by the Kentucky Chapter of the American Society of Civil Engineers. He received his Bachelor of Civil Engineering from Georgia Tech and a Master of Science in Civil Engineering from the University of Kentucky.

Tom Brunet, P.E., R.A.
Vice President, Business Development, California American Water

Tom Brunet currently serves as Senior Manager of Business Development for California American Water Company. Mr. Brunet is the responsible lead for achieving company growth through the acquisition of water and wastewater systems in California and Hawaii. Tom formerly served as Senior Operations Engineer for California American Water's Monterey District where he managed large capital projects including the Monterey Phase 1 Aquifer Storage and Recovery Project and the Toro Arsenic Removal Facility.

Prior to Joining California American Water, Tom served as a department director responsible for forward planning, due diligence, and land acquisition in the homebuilding industry. Tom has served as vice chair on the Planning Commission, as well as the General Plan Steering Committee for the City of Wheatland, California. He is an active member of the California Water Association, the North State Building Industry Association and has previously served on the Site Selection Committee for HomeAid.

Tom holds a Bachelor of Science degree in civil engineering from California State Polytechnic University, San Luis Obispo. He is a licensed professional engineer, a registered architect, and a licensed Water Treatment Plant Operator (Level T2) in the State of California.

City of Bellflower
Proposal for the Purchase of the Municipal Water System



Deana L. Donohue, P.E.

Vice President, Engineering, California American Water

Deana Donohue is Vice President of Engineering for California and Hawaii American Water where she currently leads the planning, permitting, design and implementation of over \$90 million in water and sewer infrastructure projects annually.

Deana has been active in the water resources engineering profession for over 20 years; five years ago joining the team at California and Hawaii American Water. Deana is a registered professional civil engineer in the State of California. She received a Bachelor of Science in Civil Engineering from San Jose State University and holds a Master of Science in Civil Engineering from Sacramento State University.

Deana specializes in water resource system analysis and infrastructure design. She has designed and managed a multitude of water and sewer capital improvement projects including large-scale pipelines pump stations, and storage facilities. Notable projects include the Upper Northwest Interceptor Sections 5 and 6, Lower Cascade Canal/Banner Cascade Pipeline Project, and the Town of Windsor Water Master Plan, in the State of California.

Deana is an active member of the Sacramento Chapter of the American Public Works Association (APWA) where she served as the Chapter's president in 2008. Deana has continued her role as 2008 Past President and is currently serving on the National APWA Water Resources Committee.

F. Mark Schubert, P.E.

Manager of Capital Assets and Planning, California American Water

F. Mark Schubert (Mark) is the Manager of Capital Assets and Planning for California American Water and Hawaii American Water. Mark is responsible for: 1) supervising and managing capital planning activities on a state-wide basis; 2) managing asset planning on a state-wide basis; and 3) providing rate case support and testimony as an expert witness on capital project planning in Hawaii and California. Mark also manages the delivery and implementation of capital projects in California American Water's Southern Division. Mark has also served as the liaison contact for federal, state, and local regulatory agencies on a regional basis to ensure compliance with all state and federal regulations.

Mark has been active in the water resources engineering profession nearly 38 years; and joined the team at American Water in 1987. Mark specializes in water resources infrastructure planning. He has been intimately involved in the development of Comprehensive Planning Studies (CPSs) for a number of subsidiary water companies of American Water Works Company, Inc., namely for Hawaii, California, Connecticut, New York and Pennsylvania. As part of the CPS process, Mark has performed the following with regard to water systems: 1) analyzed and presented customer and demand projections; 2) examined the need for additional source of supply; 3) evaluated the need to upgrade and renovate existing water system facilities; 4) addressed existing and proposed water quality and treatment standards; 5) analyzed the water system transmission, distribution and storage needs; 6) identified facility needs; and 7) presented the capital improvement plan to address these facility needs. With regard to wastewater systems, Mark has performed the following: 1) analyzed and presented customer and demand projections; 2) evaluated the need to upgrade and renovate existing wastewater treatment facilities; 3) addressed existing and proposed discharge and effluent treatment standards; 4) analyzed the wastewater system's collection and pumping needs; 5) identified facility needs; and 6) presented the capital improvement plan to address these facility needs.

City of Bellflower
Proposal for the Purchase of the Municipal Water System



Mark has also been responsible for the implementation and overall management of a multitude of water and sewer capital improvement projects including large-scale pipelines, pump stations, and distribution storage facilities. Notable example projects include: Roseville Road Tank and Booster Station in Sacramento; Cook-Riolo Tank and Booster Station in Sacramento, Segunda Tank No. 2 in Monterey, Hollister Street Transmission Main Replacement in San Diego; Replacement of the Olympiad Booster Station in Los Angeles; and several wastewater collection main relining projects in our Hawaii Kai system.

Mark is a registered professional civil engineer in the State of Hawaii, plus seven other states, including California, Massachusetts, Washington, Oregon, New Jersey, New Mexico, and Idaho. He received a Bachelor of Science in Civil and Environmental Engineering from Clarkson University, Potsdam, New York, and holds a Master of Science in Civil Engineering from Northeastern University, Boston Massachusetts.

Mark is an active member of the American Water Works Association (AWWA) and the American Society of Civil Engineers (ASCE).

Matthew (Matt) Lasecki, P.E.

Sr. Engineering Project Manager, California American Water

Matt Lasecki is Senior Engineering Project Manager for California and Hawaii American Water where he currently manages the planning, permitting, design and implementation of multiple capital improvement projects in Hawaii and California.

Matt has been active in the water resources engineering profession for over 22 years; thirteen years ago joining the team at American Water. Matt is a registered professional civil engineer in the State of California and Hawaii. He received a Bachelor of Science in Civil Engineering Purdue University and holds a Master of Science in Environmental Engineering from the University of Illinois.

Matt specializes in water and wastewater system planning and infrastructure design. He has been managing capital projects for American Water in California since 2005. These projects have included wastewater pump station upgrades, force main, sewer lining, and wastewater treatment plant upgrades. While in consulting, prior to joining American Water, he was an integral member of engineering teams that designed pumping stations, wastewater plant upgrades, forcemain and gravity sewer.

APPENDIX B
Acknowledgement of Addenda to the RFP

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Section 7 Required Forms

ADDENDA RECEIPT CONFIRMATION FORM

Municipal Water System Purchase

Please fax this form upon receipt of addenda to the City Clerk's Office:

Mayra Ochiqui, City Clerk
Bellflower City Hall
16600 Civic Center Drive
Bellflower, CA 90706
Phone: (562) 804-1424, Ext. 2222
Fax: 562-925-8660
Email: mochiqui@bellflower.org

ADDENDUM #: DATE ADDENDUM AVAILABLE:

No. 1 - May 19, 2016

No. 2 - May 24, 2016

On behalf of California American Water, I acknowledge receipt of Addendum No. 1 & 2
dated 5/19 & 5/24, 2016.

Thomas Bruner 6/6/2016
(Please Print Name) Date


Authorized Signature

V.P. Business Development
Title

CALIFORNIA AMERICAN WATER
Purchaser Name

Section 7 Required Forms

ADDENDA RECEIPT CONFIRMATION FORM

Municipal Water System Purchase

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Mayra Ochiqui, City Clerk
Bellflower City Hall
16600 Civic Center Drive
Bellflower, CA 90706
Phone: (562) 804-1424, Ext. 2222
Fax: 562-925-8660
Email: mochiqui@bellflower.org

ADDENDUM #: DATE ADDENDUM AVAILABLE:

No. 3 - May 25, 2016

On behalf of CALIFORNIA AMERICAN WATER, I acknowledge receipt of Addendum No. 3
dated 5/25, 2016.

THOMAS BRUNET 6/6/2016
(Please Print Name) Date


Authorized Signature

V.P. BUSINESS DEVELOPMENT
Title

CALIFORNIA AMERICAN WATER
Purchaser Name

APPENDIX C
Key Operations Personnel Resumes

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Garry M. Hofer
308 17th Street
Seal Beach, CA 90740
(562) 754-1190
Email: garryhofer@mac.com

Summary of Qualifications

Twenty-eight years of experience in the Southern California water industry, including both wholesale and retail water agencies, public and investor-owned entities, and groundwater and surface water providers. Experience in all facets of the industry, including high-level management, water operations, multi-million dollar budget oversight, rate-making processes, media relations, marketing strategies and public outreach programs. Outstanding leadership qualities and the ability to develop and maintain solid working relationships within a staff, an organization and the surrounding community.

Employment History

American Water (2008)

Director of Operations (October 2012 to present)

Responsible for overall oversight of San Diego, Los Angeles and Ventura county water systems, totaling roughly 70,000 service connections and a population of 180,000.

Manager 90-member staff, \$25.0 million capital budget and \$54.9 million operating budget. Notable recent achievements include:

- In 2013, the Southern California division achieved a 98.2 percent capital budget expenditure (\$5,438,237 against a budget of \$5,536.739) of the operations-controlled “recurring budget” portion of the division’s capital budget.
- Achieved 2013 maintenance performance to 100 percent of annual goal: replaced 6,317 meters; maintained 1,114 fire hydrants; exercised 1,969 valves. Work was completed entirely with internal union staff.
- Completed 2013 with 4,203 unscheduled overtime hours against a budget of 4,344, 96.8 percent of budget, representing the first time the division had met its overtime goal in more than 10 years.
- Ended 2013 with no union labor grievances and two successfully negotiated union contracts.
- Ended 2013 with no Southern California Notices of Violation.

Operations Manager (August 2008 to October 2012)

Responsible for operation of three Los Angeles-area water systems, totaling 28,000 service connections and a population of 105,000. Manage 45-member staff, \$8 million capital budget and \$17.6 million operating budget. Notable achievements include:

- Reduced total purchased water costs from \$5.1 million in 2010 to \$3.1 million in 2011. This was achieved through a combination of sustained pumping from the district’s groundwater wells and continued exploration into lesser-cost water lease options. The resulting savings of \$2 million was a direct dollar-for-dollar benefit to the district’s residential customers.

- Reduced 2011 non-scheduled overtime by 414 hours over the prior year, resulting in a decade-long low of 1,866 hours.
- Achieved \$10.7 million net income to retained earnings, meeting the Los Angeles district's 2011 plan and increased net income by a half million compared to same period in 2010.
- Achieved district's safety goal in 2011, with only a single California OSHA recordable injury, and compliance goal, as 2011 concluded with no Notices of Violations in the Los Angeles district.
- Ended 2011 with no union labor grievances.

External Affairs Manager (February 2008 to August 2008)

Direct all external public relations functions for the Southern California region of the country's largest investor-owned water utility. Territory includes Thousand Oaks, Los Angeles and San Diego. Serve as company spokesperson and liaison to local elected bodies, city officials and the community.

Southwest Water Company Utility Group (2000 to 2008)

Director of Communications (October 2000 to February 2008)

Direct all public relations functions of nationwide company: media relations; government and community relations; publicity, promotional and marketing strategies; web site development; publications. Serve as company spokesperson. Notable achievements include:

- Garnered public support to ward off unjust condemnation attempt by local water authority at New Mexico subsidiary. Efforts included corporate branding, media placement and advertising campaign, public forums and community empowerment strategies.
- Spearheaded crisis communications/possible mandatory water rationing campaign dealing with a 92 percent loss of groundwater source of water supply. Generated sympathetic media coverage surrounding issue.
- Participated in successful lobbying effort and passage of AB 2838, which provides interim rate relief for companies governed by the California Public Utilities Commission.
- Developed focus-group study and collateral material, and implemented program offering a houseline warranty for at-risk homeowners.
- Managed reevaluation and restructuring of internal and external communications, including web site, publications, charitable giving and customer relations programs.

The Metropolitan Water District of Southern California (1985 to 2000)

Media Services Manager (May 1999 to October 2000)

Responsible for Metropolitan's key public relations components: media relations activities; publications; and web site development. Notable achievements include:

- Planned and implemented strategic mass media campaign during a \$3 billion reservoir construction project, including a dedication event that brought favorable media coverage from around the world.
- Spearheaded a national media campaign, seeking a waiver from the U.S. Environmental Protection Agency to remove the harmful chemical MTBE from gasoline.
- Quelled disapproving media attention after Metropolitan internal audit found the district's Diamond Valley Lake project to be from \$215 to \$500 million over budget.
- Created a message-driven web page, www.mwdh2o.com, on a restricted four-month deadline. Efforts included locating and transferring internal staff, creating appropriate content and working without a budget.
- Managed a staff of 18 professional editors and writers, media relations specialists, graphic designers, artists, photographers, computer programmers and support personnel.
- Developed and implemented a broad-based communications strategy that stresses the importance of a reliable, high-quality, equitably priced water supply to California.

Manager of Publications (February 1997 to May 1999)

Responsible for molding the aesthetic and editorial message of all printed materials produced by the district. Notable achievements include:

- Developed mechanism to produce Metropolitan publications simultaneously in printed, on-line and CD ROM formats.
- Garnered the International Association of Business Communicators' highest publications award a record three consecutive years.
- Trimmed an annual publications budget from \$1.5 to \$1.1 million while increasing publications.
- Developed a process to streamline printer and designer contracts to avoid red tape and procurement snags.

Senior Public Affairs Representative (February 1990 to January 1997)

Chiefly served as editor for *Aqueduct*, a quarterly four-color external feature magazine targeted to 35,000 "opinion leaders" throughout California; and *Focus*, a bimonthly two-color external newsletter addressing water issues of a more immediate nature. Notable achievements include:

- Created first on-line publications for Metropolitan as it entered the world of the web.
- Created photo and writer internship programs that provided a launching pad for student interns and increased community recognition for Metropolitan.
- Conducted readership audits for all Metropolitan publications.

Public Affairs Representative (April 1987 to February 1990)

Staff writer. Wrote feature-length articles requiring extensive research, interviewing and writing skills.

Public Affairs Assistant (October 1985 to April 1987)

Staff writer. Composed feature and news articles.

Keystone Automotive Industries, Inc. (June 1984 to October 1985)

Publications Specialist

Responsible for introducing corporate communications concepts for this small, national company. Notable achievements include:

- Developed corporate identity—created newsletter, designed logo, reported and photographed news and feature events. Responsible for all art and print direction.
- Introduced the concept of media pitching, developing contacts and news releases.

Education

Chapman College, Orange

Graduate studies in creative writing

University of La Verne

Bachelor of Arts, 1984

Journalism major with emphasis in public relations

Affiliations and Certifications

- Member, Raymond Basin Board of Directors
- Member, San Gabriel River Committee Board of Directors
- Member, California Water Association.
- Past Member, Main San Gabriel Watermaster Board of Directors
- Former President, board of directors, Hurst Ranch Historical Center
- Member, American Water Works Association
- Water Treatment certification level II
- Water Distribution certification level II

MONICA NA

503 S. Fuller Ave, Los Angeles, CA 90036

Cell: (916) 599-7730 Email: monicahna@gmail.com

PROFESSIONAL PROFILE

Results-driven leader with demonstrated skills at coordinating multiple projects; team building; and developing tools and products to drive efficiency, effectiveness, and regulatory compliance in a pressured environment.

PROFESSIONAL EXPERIENCE

CALIFORNIA AMERICAN WATER

Manager of Operations (August 2015 –)

Rosemead, CA

- Support existing contract operations sites, including evaluations and troubleshooting, and implementation of new technical solutions or best operating practices.
- Conduct due diligence and evaluate data / information, prepare operational plans and strategies, develop and/or review operational budgets

HENSEL PHELPS

Field Engineer (December 2014 –June 2015)

Irvine, CA

- Performed project layout and dimensional accuracy for United Terminal Project at LAX, interpreted plans and specifications, communicated and established control lines for crafts and subcontractors, enforced job-wide safety, and tracked and reported daily job production.

CALIFORNIA AMERICAN WATER

Senior Manager of Rates (April 2011 – March 2014)

Sacramento, CA

- Immediately cleared backlog of 49 advice letter filings within first 6 months of promotion to position
- Identified and documented key processes in department; and implemented process improvements to ensure regulatory compliance and produce higher quality filings with fewer errors, reducing the percentage of departmental filing errors requiring redress by 35% in the first year and approaching 0% in 2013
- Created regular reporting of issued compliance items and filings
- Built new team of 3 financial analysts who support finance, rates and regulatory functions, strategic investment decisions, rate related filings before the California Public Utilities Commission (Commission); created an accelerated course of training and development tailored to each individual
- Lead high-profile IT project converting billing system from ECIS to SAP for California American Water: stewarded and ultimately secured Commission approval of rate design changes and billing changes for a tariffed area with \$50M in annual revenues and high visibility prior to go-live; managed team of 7 financial analysts dedicated to testing 200+ rate categories; elevated all rate and billing issues to all levels of the organization, outside consultants, and served as the primary liaison for problem resolution and rate tariff interpretation
- Provide economic, statistical and other analyses in support of rate filings
- Drafted testimony and testified before the Commission

Manager of Water Conservation and Efficiency (January 2010 – March 2011)

Coronado, CA

- Ensured compliance with the Public Utilities Commission (CPUC) and California Urban Water Conservation Council (CUWCC) by preparing timely filings for 2012-2014 Rate Case Testimony, Minimum Data Requirement Responses, Data Request Responses, CPUC Annual Reports, and Monterey-MPWMD Program Reports; and clearing a backlog of CUWCC reporting for all districts as far back as 2003 for three districts
- Exceeded annual performance targets for 20x2020 water conservation goals of reducing average consumption
- Met financial performance target for 2010 (statewide Conservation program expenditures within 5% of budget)
- Successfully managed contracts totaling \$2.24 million
- Created an environment of open communication and transparency among Conservation staff by creating a monthly operational report; developing a shared folder; instituting regular meetings for the whole Conservation group and subgroups; distributing reporting to staff on a monthly basis; and inviting all to share in open dialogue
- Supported, trained and coached Conservation staff

HARVEY M. ROSE ASSOCIATES, LLC

Senior Analyst (October 2007 – January 2009)

San Francisco, CA

- Performed audit analysis for a wide range of government clients and functions. Project experience includes process mapping and billing and collections analysis of proof of payment citations for the San Francisco Metropolitan Transportation Agency; staffing analysis, caseload analysis, and review of internal management of a Public Defender's Office in a large County (pop. 800,000)
- Annual budget analysis for the City and County of San Francisco for budgets totaling \$486 million and the County of Santa Clara for budgets totaling \$302.6 million

RESEARCH AND CONSULTING CENTER, GOVERNMENT FINANCE OFFICERS ASSOCIATION

Consultant/Analyst (January 2006 – September 2007)

Chicago, IL

- Project team support with progressively deeper management and product development responsibilities on over a dozen ERP (enterprise resource planning) systems procurement contracts.
- Managed and developed future RCC publications, which totaled \$700,000 in revenue in fiscal year 2007.
- Co-Author of *An Elected Official's Guide: Long-Term Financial Planning for Local Government*, published in 2008.

OFFICE OF THE MAYOR, CITY OF CHICAGO

Chicago, IL

Mayoral Fellow (November 2004 – September 2005)

- Directed nine departments' management accounting methods in executive project to implement performance management citywide. Facilitated interdepartmental information and communications

EDUCATION

UNIVERSITY OF CHICAGO, IRVING B. HARRIS SCHOOL OF PUBLIC POLICY, MPP, *Concentration in Public Finance and International Policy*, 2002-2004

UNIVERSITY OF CALIFORNIA, BERKELEY, BA with honors, *Sociology*, 1998-2002

YONSEI UNIVERSITY, SCHOOL OF INTERNATIONAL STUDIES, SEOUL, KOREA, 2000-2001

SPECIAL SKILLS/ CERTIFICATIONS/ PERSONAL

Professional Certifications: Water Distribution Operator Grade 2; OSHA 30; HAZWOPER Levels 1 and 2; First Aid/CPR; Green Belt Six Sigma, February 2009, Villanova University; CPR

Computer Skills: Microsoft Excel, Word, PowerPoint, Project, Access, Visio; Econometric Modeling (STATA), GIS; basic JDE, E-CIS, SAP

Languages: Fluent English; Proficient Spanish and Korean; Conversational Dutch

Activities: Eating, hiking, biking, making furniture

Timothy J. Miller

Water utility executive with almost 20 years' experience with California and federal environmental regulation, strong communication skills and business acumen, and record of working on cross-functional teams to achieve organization objectives.

EMPLOYMENT

California-American Water; Director, Environmental Compliance; 2013 – Pr.

- Manage a team of 11 people responsible for ensuring the Company complies with State and federal drinking water quality regulations as well as pollution prevention and environmental protection laws in operating 36 water and wastewater systems composed of over 214 major facilities. Responsibilities include annually collecting over 15,000 water quality samples; filing over 2,000 regulatory reports; managing staff performance; and developing and meeting budgets.
- Oversee implementation, training, monitoring and reporting for the federal Safe Drinking Water Act and its implementing regulations; the California Safe Drinking Water Act and its implementing regulations; the federal Clean Water Act's National Pollutant Discharge Elimination System (NPDES) and Spill Prevention, Control and Countermeasures (SPCC) program; California's Porter-Cologne Water Quality Act; the federal Clean Air Act and implementing regulations; California's Mulford-Carrell Air Resources Act, including local air quality management district rules and permits adopted pursuant to that Act; the federal Resource Conservation and Recovery Act (RCRA) and its implementing regulations; the California Hazardous Waste Control Act and its implementing regulations; the federal Emergency Planning and Community Right-To-Know Act; California's Hazardous Materials Release Response Plans and Inventory law; California and federal underground petroleum storage tank regulations; and the California Aboveground Petroleum Storage Tank Act.
- Enhanced the Company's Environmental Management Plans using ISO 14001 principles to improve accountability for implementing over 1,763 different regulatory requirements; designed hazardous waste management program; developed various compliance plans, SOPs and training programs to ensure compliance with environmental regulations.
- Reduced regulatory inspection deficiencies by 99 percent in two years through a rigorous pre-inspection program.

California-American Water; Corporate Counsel/Director, Env. Compliance; 2007 – 2013 (Coronado, CA)

- Manage a docket of over 40 simultaneous matters mixed between civil litigation, administrative proceedings, transactions and advisory matters.
- Provide Company Board and officers with legal, risk management and compliance advice and reports; assist with corporate governance activities including board meetings.
- Work with a team of procurement staff, engineers and executives on various agreements including settlement agreements, professional services, commercial office space, real estate acquisition, operating leases, capital projects and equipment purchases.
- Assist in implementation of contract review processes; work with staff to design internal legal services processes.
- Represent the Company in various legal proceedings from administrative hearings up to the Court of Appeal.

- Managed outside counsel budget, including 3 consecutive years of below-budget expenses through negotiated discounts and effective use of internal staff.
- Monitor worker's compensation and insurance defense matters, including compliance with subpoenas.

Office of the San Diego City Attorney, Deputy City Attorney, 2005 – 2007 (San Diego, CA)

- Provided legal services to the various City departments, including Environmental Services, Metropolitan Waste Water, General Services, Engineering and Capital Projects, and Purchasing.
- Review RFPs for Purchasing Department and advise on terms and conditions of various procurements; advise on compliance with various contracting regulations.
- Represented the City before the Regional Water Quality Control Board (RWQCB) regarding multiple stormwater issues.
- Provided general municipal legal services: drafted and reviewed contracts for public works projects and procurements; drafted amendments to the Municipal Code; advised on compliance with the City Charter, Municipal Code, and internal regulations; Assisted in compliance with the California Public Records Act; and drafted resolutions and ordinances for City Council action; Appeared before the City Council on various contracts and litigation.

Extended Employment History and References Available Upon Request

LICENSING AND EDUCATION

- California Bar No. 192154, admitted December 7, 1997
- University of the Pacific, McGeorge School of Law; Sacramento, CA; J.D., May 1997; Honor Society
- California State Polytechnic University Pomona; Pomona, CA; B.S., Economics, 1994

My position and responsibilities as the Customer Service Supervisor for California-American Water at the state level are: 1) Supporting and standardizing business processes for the State, 2) representing California when new enterprise business processes are being developed, 3) responsible for CPUC customer complaints and customer service data reporting, 4) liaison for customer survey performance data, 5) involved in customer data for new acquisitions, and 6) ensure that escalated customer complaints are addressed to provide feedback and coaching to various departments, 7) strive towards continuous customer service excellence, business performance, efficiencies, and accountability. I have 31 years of service with California-American Water all in the area of customer service, and 29 years of supervisory experience.

Experience/Skills:

- Business performance and customer service liaison for California, customer care centers, and operational customer relations team.
- Responsible for California Public Utilities Commissions customer inquiries, complaints, and customer reporting data for California.
- Continuous standardization, communication of customer service procedures, and training of employees with the support of operational managers, supervisors, engineers, and front line employees.
- Participated as a train the trainer in three enterprise software conversions, and two call center conversions.
- Managed California's back office support for the state, which included service order management and meter management.
- Managed field and administrative customer service personnel for Los Angeles and Ventura County districts, included meter readers and field customer service employees.
- Knowledgeable in customer billing, collections, meter reading and meter reading schedules, resolution of escalated customer service issues, business processes, and customer survey performance.
- Knowledgeable in customer service accounts receivable reconciliation.
- Knowledgeable in SAP, Orcom, JDE, Power Point, Data General, Excel, Word, and Lotus Notes
- Water conservation coordinator for Los Angeles Division and Ventura District in the late 1980's.
- Participate in community events and town hall meetings for the Southern Division districts.

Accomplishments:

- Water for People and Healthy Solutions coordinator
- Change Agent for National and Western Region Customer Service Call Center Conversions.
- Ideas into action communicator for the Customer Service Functional Group.

Employment:	California-American Water Company	Rosemead, California
	<i>Operations Supervisor II, Customer Service, California</i>	2014 - Present
	California-American Water Company	Marino, California
	<i>Operations Superintendent, Customer Service, California, New Mexico</i>	2004 - 2014
	<i>Operations Supervisor, Southern Division</i>	2000 – 2004
	<i>Customer Service Supervisor, Los Angeles and Ventura County</i>	1997- 2000
	California-American Water Company	Newbury Park, California
	<i>Customer Service Superintendent, Ventura County</i>	1990 to 1997
	<i>Customer Service Supervisor, Ventura County</i>	1987 to 1990
	<i>Customer Service Clerk, Ventura County</i>	1985 to 1987
Education:	California State University	Los Angeles, California
	Bachelor of Arts, Business and Nutrition	1979
Certifications:	State of California, Department of Health Services	
	<i>Water Distribution Operator – Grade 1 and Grade 2</i>	
Affiliations:	American Water Works Association, California-Nevada Section	
	<i>Past Member of the Customer Service Activities Committee</i>	
Recognitions:	1986 Employee of the Year for the Ventura County District	

LOUIE ROMERO

1918 Paseo La Paz, Pomona, 91768

Cell: (626) 712-8340 Email: louie.romero@amwater.com

PROFESSIONAL EXPERIENCE

CALIFORNIA AMERICAN WATER

Operations Supervisor, Production & Distribution, LA District (April 2009 – present)

Rosemead, CA

- Responsible for all distribution and production activities in LA system
- Supervisory responsibilities for water operators pump operators, maintenance technicians, and general maintenance workers
- Schedules, directs and/or participates in review and evaluation of staff and equipment performance related to water systems
- Involved in establishing and managing personal relationships and rapports with political, civic and key stakeholders within LA service area
- Participates in the preparation of Operations and Maintenance Budgets; as well as Capital Recurring Projects Budget. Reviews and approves expenditures.
- Coordinates vendors and contractors, ensures proper services are provided, and performs inspections of work.
- Maintains work records and preventative maintenance records and prepares various reports as assigned.
- Directs and performs plant equipment maintenance functions and other related functions assigned or as they become apparent.

Operations Supervisor, Distribution, LA District (April 1992 – March 2009)

Rosemead, CA

- Responsible for all operations and distribution in LA system
- Manages water distribution field crews, including meter replacement, hydrant and valve maintenance programs, etc. Also guides leak repair and service replacement crews
- Manages the district's inventory, including monitoring, implementing inventory safeguards and overseeing annual inventory reconciliations. Ensures controls are in place
- Acts as lead local inspector for small main projects as needed and in coordination with the company's engineering department
- Acts as liaison to pipeline contractors for emergency or scheduled contracted work
- Participates in the on-call supervisor rotation.
- Manages all scheduling and execution of the year's maintenance programs, including meter change-outs, valve exercising, fire hydrant maintenance, etc
- Acts as staff lead in the district's CMMS programs
- Conducts field inspections, ensuring that all safety guidelines are followed
- Conducts similar supervisory work as called upon to perform, and any other work as necessary

Operations Positions of Increasing Responsibility, LA District (May 1978 – March 1992)

Rosemead, CA

Small Pipeline Foreman

Utility Worker II

Utility Worker I

Laborer

MILITARY EXPERIENCE

UNITED STATES MARINE CORPS

Corporal (April 1975 – April 1978)

EDUCATION

SIERRA VISTA HIGH SCHOOL, High School Diploma, June 1972

SPECIAL SKILLS/ CERTIFICATIONS

Professional Certifications: Water Distribution Operator III, California-Nevada Section of AWWA

Dean P. Lefler
9302 Sparklett St
Temple City, Ca 91780
(626) 378-4120

Summary of Qualifications

Thirty years' experience within California American Water. Experience includes all facets in the field, supervisor of large pipeline jobs, public relations, committee leadership and participation, and management duties.

Job History

California American Water, 1986-present

- Operations Supervisor
 - Supervisor of FSRs, Meter Readers, Stock Clerk and Front office.
 - Fleet Maintenance. Scheduling repairs, inspection and filing of Vehicle Inspection Reports, ordering and or retirement of fleet vehicles. Monthly reporting for Mileage Log and 525A.
 - Customer Service complaints and insurance claims.
 - New Service Installations, Fire and Domestic, Meter Inquiries and Water Quality orders for field.
 - Fire Flow recording and reporting.
 - Fire Department, California Highway Patrol and Hazardous Materials inspections, documentation and reporting. Yearly updating to Hazardous Material Inventory and Business Plans.
 - Los Angeles Division Safety Coordinator. Maintaining records for Tailgate Meetings, HSC Meetings, all accidents, workers comp and near misses. Monthly reporting for SSP Dashboard. CDL driver compliance and recording.
 - Monthly Non Revenue Water and Outage Reports.
 - Large Meter Testing Program.
 - Meter Ordering and Inventory.
- Interim Operations Foreman
- Backhoe Operator
- Substitute Pumper- all three districts for one month
- Back Up Pumper in Duarte- two years
- Pipefitter/Construction Crew- three to four years
- Gate Valve Operator- two years
- Meter Reader- 1986-87

Education

- High School Diploma. Water Technology Courses

Certifications

- USC Certified Cross Connection Specialist
- USC Certified Backflow Prevention Assembly Tester
- Certified Backhoe Operator
- Water Distribution Operator, Level D4
- Water Treatment Operator, Grade T2 – Passed T3 in 2014 – Unable to hold T3 grade to not enough yearly time spent in production and no production employees in my org chart. I have three years from pass date to obtain if possible.

APPENDIX D
Example of Customer Billing

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HOW TO READ YOUR CALIFORNIA AMERICAN WATER BILL

Los Angeles-Baldwin Hills District



CALIFORNIA
AMERICAN WATER

CODE

Your Bill (Sample)

This sample bill describes the charges that appear on customer bills in your service area. Please see below for information about how to read your California American Water bill.

CALIFORNIA AMERICAN WATER
PO Box 7150, Pasadena, CA 91109-7150

1 For Service To:
☐ Check this box for address changes and note new address on back.

2 FIRST NAME LAST NAME
123 ANY STREET
ANYTOWN, CA 12345

3 BILLING PERIOD AND METER READINGS
• Billing date: February 17, 2014
• Due Date: **March 11, 2014**
• Billing period: Jan 15 to Feb 12 (29 Days)
• Next reading on or about: Mar 17, 2014
• Customer Type: Residential
• Meter Reading Measurement:
1 unit = 100 CF or 748 gallons of water
• Billing Measurement: 100 gallons (CGL)

Meter No.	12345678
Size of meter	5/8"
Current Read	866 (Actual)
Previous Read	857 (Actual)
Total water used this billing period	9 units (6,732 gallons)

4 **Total Water Use Comparison (in 100 gallons)**
• Current billing period 2014: 67.32 CGL
• Same billing period 2013: 74.80 CGL

5 **Billed Use Graph (100 gallons)**

6 **Important messages from California American Water**
• We want to help you better understand your water bill - why you are paying the amount you are, and where the money is going. A large part of your water bill is invested directly into the water system to make sure it is reliably delivering quality water when you need it. To learn more, visit www.californiaamwater.com/aboutyourbill.
• We are now offering paperless billing. It's a convenient, environmentally friendly and secure way to receive your water and/or wastewater bill. Users must enroll online. To get started, visit www.amwater.com/myh2o. Go to Account Detail and click on the green Paperless Billing button. Follow the steps, press submit and you're enrolled!

7 **Questions about this bill?** Call our 24-Hour Customer Service Center: **1-888-237-1333** www.californiaamwater.com
653750342764

8 **Account Number** 0000-000000000000
Due Date March 11, 2014
Total Due \$38.81

9 **Amount Enclosed** \$

10 **BILLING SUMMARY**
For Service To:
For Account 0000-000000000000
Prior Balance
• Balance from last bill 49.82
• Payments as of Feb.3, Thank you! -49.82
Balance Forward 0.00
Current Water Service
• Water Service Charge 8.80
• Water Usage Charge (\$0.32830000 x 67.32) 22.10
• Total Water Service Related Charges 30.90
Other Charges
• Conservation Surcharge 0.20
• WRAM/MCBA Surcharge 1.52
• Gen Exp Balance Acct Strchg 1.82
• Purchased Water Surcharge 3.06
• Total Other Charges 6.60
Taxes
• County Franchise Taxes 0.75
• Commission Surcharge 0.56
• Total Taxes 1.31
TOTAL CURRENT CHARGES 38.81
TOTAL AMOUNT DUE **\$38.81**

Customer Contact Information

- 1 For Service To: address of property receiving water service.
- 2 Customer name and billing address.

Billing Period and Meter Readings

- 3 Your account details, including billing date, billing period, next meter reading on/or about date, and type of rate you are charged. **Your meters are read in increments of 100 cubic feet approximately once every 30 days. All customers are billed in 100-gallon increments.**
 - 100 cubic feet = 1 Unit
 - 1 Unit = 748 Gallons

In this example, a 9-unit bill will be billed based on 67.32 hundred gallons. (9 x 748 = 6,732/100 = 67.32).

- 4 This section reports information about your meter, its number, size and the number of units billed in the billing period. This meter number is associated with your property and records your water usage. In this portion, we provide a conversion into 100-gallon increments, labeled as "CGL" on your bill.

Total Water Use Comparison (in 100 gallons)

- 5 A comparison between your current usage versus your usage the same month the year prior, if available.

Billed Use Graph (100 gallons)

- 6 The bill use graph outlines your water usage during the past year.

Important messages from California American Water

- 7 We often include important notices and customer information in this section pertaining to rate information and other billing changes when they occur. We encourage you to read this to keep up with the programs we offer and any new projects we may have.
- 8 **Questions About Your Bill:** Contact information for our 24-hour customer service center and our website address are conveniently located in one area. Please visit our website to access your account online, sign up for auto-pay option and read about our free conservation programs.

Customer Account Information

- 9 Your Account Number, Due Date and Total Amount Due are all easy to spot.

Payment

- 10 Detach this paystub and return with your payment. On this paystub, you will find the bill due date and total charges due. Please write the payment amount in the space provided.

Checks should be made payable to California American Water, and should always include your account number. The address on the front of this paystub must be visible through the window on the return envelope when the payment is mailed. **Note: The return address as shown is not a California American Water company office or location, but a payment collection center. For office locations please visit our website at www.californiaamwater.com.**

Billing Summary

- 11 **Prior Balance:** The amount you owed in dollars from your previous bill along with any payment you may have made in the past billing cycle. This section will also show any unpaid balances or overpaid credits to go towards your next bill.
- 12 **Current Water Service:**
 - Water Service Charge: A fixed service charge that corresponds with the size of your meter.
 - Water Usage Charge: The volume-based charges are divided into four tiers with higher rates for higher than average levels of water use. Water usage is billed on a tiered billing structure to encourage water conservation. The water usage charge consists of a water base rate.

- 13 Other Charges: Additional surcharges authorized through advice letter filings and decisions from the California Public Utilities Commission (CPUC). Please see the section below to learn more.

What are these surcharges listed separately on your bill?

There are a number of surcharges that fund a wide variety of obligations associated with the Los Angeles system that are not included in the base rate.

Note: Additional surcharges may appear upon authorization by the CPUC.

- Conservation Surcharge: This surcharge funds various conservation initiatives and activities conducted by California American Water. The surcharge funds conservation programs and activities in Los Angeles, including California American Water's rebate program – water-saving devices; residential, commercial, industrial and large landscape water surveys; program staff and school education programs. **This surcharge is \$0.0030 per unit of water consumed.**
- WRAM Surcharges: "Water Revenue Adjustment Mechanism" - this surcharge makes up the difference between the California Public Utilities Commission's (CPUC) authorized quantity revenue and the amount actually billed to customers during the calendar year.

This surcharge was approved by the CPUC in order to allow utilities to recover losses in revenues due to lower consumption resulting from conservation rate designs. This concept is sometimes also referred to as "revenue decoupling." The WRAM offsets any differences between authorized and actual billed quantity charge revenues for the Company.

These surcharges cover under collections from 2007 through 2012. The expected period in which these collections will occur is determined by CPUC rules and can range from one to three years. California American Water is collecting most WRAM surcharges over three years.

- General Expense Balance Account Surcharge: This is a collection of balancing accounts that tracks the over collection or under collection of certain costs authorized by the CPUC. The General Expense Balancing Account is used to capture (or refund) under collections or refunds when there is an over collection, for items where the CPUC allowed California American Water to track differences in authorized costs versus costs actually incurred for future recovery. **Some of the specific items that are recovered through this surcharge are Interim Rate Balancing Account costs, purchased water costs and power costs.**
- Total Other Charges: This is the sum of all other charges for the billing cycle.

- 14 Taxes: California American Water collects various taxes such as city and utility taxes on behalf of public agencies and then remits those funds to the taxing authorities. California American Water must also collect franchise fees in most of its service areas for cities and unincorporated areas to allow for operations in public right of ways. This rate varies depending on the jurisdiction.

- County Franchise Taxes: A county fee levied on California American Water that gives businesses the right to be chartered and/or operate within that county.
- Commission Surcharge: This is a tax which funds our regulator. This tax is approximately 1.5% of your total bill.
- Total Taxes: This is the sum of all taxes for the billing cycle.

- 15 Total Amount Due: The total amount due is the total summary of charges of your entire bill, including any past due amount. This should be paid on or before the current bill's due date.



California American Water cares for our customers in California.

We are working diligently to deliver cost-effective, reliable water service. From helping control water costs through education to financial support with our low income assistance program, *H2O Help to Others*, we are dedicated to serving our customers and providing high-quality water service – one drop at a time.

At California American Water we speak your language. Our customer service representatives will be happy to assist you in any language. For assistance, call (888) 237-1333.

En California American Water hablamos su idioma.

Nuestros representantes de servicio al cliente le atenderán con gusto en cualquier idioma. Para asistencia, llame al (888) 237-1333.

California American Water的员工能说您的语言。我们的客户服务代表乐于用任何语言向您提供任何帮助。要寻求帮助，请致电：(888) 237-1333。

Sa California American Water, nagsasalita kami ng inyong wika. Maaari kayong tulugan ng aming mga kinatawan sa customer service sa alinmang wika. Para humingi ng tulong, mangyaring tawagan ang (888) 237-1333.

ที่ California American Water เราพูดภาษาของท่านได้
ตัวแทนฝ่ายบริการลูกค้าของเรายินดีที่จะช่วยเหลือท่านในทุกๆภาษา
หากต้องการความช่วยเหลือ กรุณาติดต่อ (888) 237-1333

California American Water nói được ngôn ngữ của quý vị.
Các đại diện dịch vụ khách hàng của chúng tôi sẵn sàng
giúp đỡ quý vị bằng bất cứ ngôn ngữ nào.
Để được giúp đỡ, xin vui lòng gọi số (888) 237-1333



CALIFORNIA
AMERICAN WATER

WE CARE ABOUT WATER. IT'S WHAT WE DO.
(888) 237-1333 • www.californiaamwater.com



APPENDIX E
Bid Bond

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WESTCHESTER FIRE INSURANCE COMPANY
436 Walnut Street
Philadelphia, PA 19106

Bond Number: 36623-ACE-16-01

BID BOND

KNOW ALL MEN BY THESE PRESENTS, that we

California –American Water Company
1033 B Avenue, Suite 200
Coronado, CA 92118

(hereinafter call the Principal) as Principal, and WESTCHESTER FIRE INSURANCE COMPANY, a corporation duly organized under the laws of the State of Pennsylvania (hereinafter called the Surety), as Surety, are held and firmly bound unto

City of Bellflower
16600 Civic Center Drive
Bellflower, CA 90706

as Obligee, hereinafter called the Obligee, in the sum of Ten Percent of Bid Amount **(10% of Bid Amount)**, for the payment of which sum well and truly to be made, the said Principal and the said Surety, bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal has submitted a bid for Purchase of the **City of Bellflower's Municipal Water System**

Now, therefore, if the Obligee shall accept the bid of the Principal within the period specified therein, or, if no period be specified, within sixty (60) days after opening, and the Principal shall enter into a contract with the Obligee in accordance with the terms of such bid, and give such bond or bonds as may be specified in the bidding or contract documents with good and sufficient surety for the faithful performance of such contract and for the prompt payment of labor and material furnished in the prosecution thereof, or in the event of the failure of the Principal to enter such contract and give such bond or bonds, if the Principal shall pay to the Obligee the penalty hereof, then his obligation shall be null and void, otherwise to remain in full force and effect.

Signed and sealed this 27th day of May, 2016

Principal: **California-American Water Company**

By: 

Surety: **Westchester Fire Insurance Company**

By: 
William G. Morrissey

Witness

Witness/ Migdalia Otero

Power of Attorney

WESTCHESTER FIRE INSURANCE COMPANY

Know all men by these presents: That WESTCHESTER FIRE INSURANCE COMPANY, a corporation of the Commonwealth of Pennsylvania pursuant to the following Resolution, adopted by the Board of Directors of the said Company on December 11, 2006, to wit:

"RESOLVED, that the following authorizations relate to the execution, for and on behalf of the Company, of bonds, undertakings, recognizances, contracts and other written commitments of the Company entered into the ordinary course of business (each a "Written Commitment"):

- (1) Each of the Chairman, the President and the Vice Presidents of the Company is hereby authorized to execute any Written Commitment for and on behalf of the Company, under the seal of the Company or otherwise.
- (2) Each duly appointed attorney-in-fact of the Company is hereby authorized to execute any Written Commitment for and on behalf of the Company, under the seal of the Company or otherwise, to the extent that such action is authorized by the grant of powers provided for in such persons written appointment as such attorney-in-fact.
- (3) Each of the Chairman, the President and the Vice Presidents of the Company is hereby authorized, for and on behalf of the Company, to appoint in writing any person the attorney-in-fact of the Company with full power and authority to execute, for and on behalf of the Company, under the seal of the Company or otherwise, such Written Commitments of the Company as may be specified in such written appointment, which specification may be by general type or class of Written Commitments or by specification of one or more particular Written Commitments.
- (4) Each of the Chairman, the President and Vice Presidents of the Company is hereby authorized, for and on behalf of the Company, to delegate in writing any other officer of the Company the authority to execute, for and on behalf of the Company, under the Company's seal or otherwise, such Written Commitments of the Company as are specified in such written delegation, which specification may be by general type or class of Written Commitments or by specification of one or more particular Written Commitments.
- (5) The signature of any officer or other person executing any Written Commitment or appointment or delegation pursuant to this Resolution, and the seal of the Company, may be affixed by facsimile on such Written Commitment or written appointment or delegation.

FURTHER RESOLVED, that the foregoing Resolution shall not be deemed to be an exclusive statement of the powers and authority of officers, employees and other persons to act for and on behalf of the Company, and such Resolution shall not limit or otherwise affect the exercise of any such power or authority otherwise validly granted or vested.

Does hereby nominate, constitute and appoint Annette Leuschner, Francesca Papa, James P Holland, Mariya Leonidov, Migdalia Otero, Terry Ann Gonzales-Selman, Theresa Giraldo, Vincent Moy, William G Morrissey, all of the City of NEW YORK, New York, each individually if there be more than one named, its true and lawful attorney-in-fact, to make, execute, seal and deliver on its behalf, and as its act and deed any and all bonds, undertakings, recognizances, contracts and other writings in the nature thereof in penalties not exceeding Seventy Five million dollars & zero cents (\$75,000,000.00) and the execution of such writings in pursuance of these presents shall be as binding upon said Company, as fully and amply as if they had been duly executed and acknowledged by the regularly elected officers of the Company at its principal office,

IN WITNESS WHEREOF, the said Stephen M. Haney, Vice-President, has hereunto subscribed his name and affixed the Corporate seal of the said WESTCHESTER FIRE INSURANCE COMPANY this 11 day of May 2016.

WESTCHESTER FIRE INSURANCE COMPANY



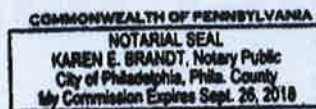
Stephen M. Haney

Stephen M. Haney, Vice President

COMMONWEALTH OF PENNSYLVANIA
COUNTY OF PHILADELPHIA ss.

On this 11 day of May, AD. 2016 before me, a Notary Public of the Commonwealth of Pennsylvania in and for the County of Philadelphia came Stephen M. Haney, Vice-President of the WESTCHESTER FIRE INSURANCE COMPANY to me personally known to be the individual and officer who executed the preceding instrument, and he acknowledged that he executed the same, and that the seal affixed to the preceding instrument is the corporate seal of said Company; that the said corporate seal and his signature were duly affixed by the authority and direction of the said corporation, and that Resolution, adopted by the Board of Directors of said Company, referred to in the preceding instrument, is now in force.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Philadelphia the day and year first above written.



Karen E. Brandt
Notary Public

I, the undersigned Assistant Secretary of the WESTCHESTER FIRE INSURANCE COMPANY, do hereby certify that the original POWER OF ATTORNEY, of which the foregoing is a substantially true and correct copy, is in full force and effect.

In witness whereof, I have hereunto subscribed my name as Assistant Secretary, and affixed the corporate seal of the Corporation, this 27th day of May 2016



William L. Kelly
William L. Kelly, Assistant Secretary

THIS POWER OF ATTORNEY MAY NOT BE USED TO EXECUTE ANY BOND WITH AN INCEPTION DATE AFTER May 11, 2018.



CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of New York }

County of New York }

On 5/27/2016 before me, TerryAnn Gonzales-Selman, Notary Public
(Here Insert name and title of the officer)

personally appeared William G. Morrissey
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

TERRY ANN GONZALES-SELMAN
Notary Public, State of New York
No. 01GO6272513
Qualified in Kings County
Term Expires November 19, 2016

TerryAnn Gonzales-Selman
Notary Public Signature

(Notary Public Seal)

My Commission Expires: 11/19/2016

ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages _____ Document Date _____

CAPACITY CLAIMED BY THE SIGNER

- ☐ Individual (s)
☐ Corporate Officer

(Title)

- ☐ Partner(s)
☐ Attorney-in-Fact
☐ Trustee(s)
☐ Other _____

INSTRUCTIONS FOR COMPLETING THIS FORM

This form complies with current California statutes regarding notary wording and, if needed, should be completed and attached to the document. Acknowledgments from other states may be completed for documents being sent to that state so long as the wording does not require the California notary to violate California notary law.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. ~~he/she/they~~, is /are) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document with a staple.

WESTCHESTER FIRE INSURANCE COMPANY**FINANCIAL STATEMENT****DECEMBER 31, 2015****ADMITTED ASSETS**

BONDS	\$1,607,005,886
SHORT - TERM INVESTMENTS	23,666,123
STOCKS	3,117
REAL ESTATE	0
CASH ON HAND AND IN BANK	(68,986,083)
PREMIUM IN COURSE OF COLLECTION*	80,820,180
INTEREST ACCRUED	16,151,460
OTHER ASSETS	139,206,542
TOTAL ASSETS	<u>\$1,797,867,225</u>

LIABILITIES

RESERVE FOR UNEARNED PREMIUMS	\$203,506,626
RESERVE FOR LOSSES	848,505,624
RESERVE FOR TAXES	7,043,333
FUNDS HELD UNDER REINSURANCE TREATIES	5,739,389
OTHER LIABILITIES	1,696,960
TOTAL LIABILITIES	<u>1,066,491,932</u>


CAPITAL: 70,000 SHARES, \$71.43 PAR VALUE	5,000,100
CAPITAL: PAID IN	301,430,636
AGGREGATE WRITE-INS FOR SPECIAL SURPLUS FUNDS	111,103,666
SURPLUS (UNASSIGNED)	313,840,891
SURPLUS TO POLICYHOLDERS	<u>731,375,293</u>
TOTAL	<u>\$1,797,867,225</u>

(*EXCLUDES PREMIUM MORE THAN 90 DAYS DUE.)

STATE OF PENNSYLVANIA**COUNTY OF PHILADELPHIA**

John Taylor, being duly sworn, says that he is Senior Vice President of Westchester Fire Insurance Company and that to the best of his knowledge and belief the foregoing is a true and correct statement of the said Company's financial condition as of the 31 st day of December, 2015.

Sworn before me this March 22, 2016

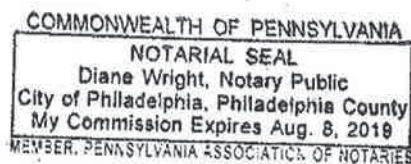


Senior Vice President



Notary Public

August 8, 2019
My commission expires



ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Monterey)

On JUNE 6, 2016 before me, Edith K. Lemon, Notary Public
(insert name and title of the officer)

personally appeared ROBERT G. MACLEAN
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Edith K. Lemon (Seal)

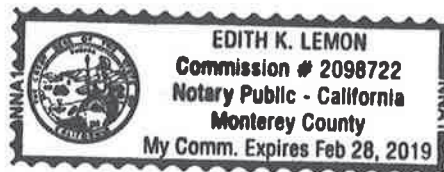


Exhibit 1

Acquired Assets

See attached.

Bellflower MWS
List of Assets

Description	Quantity	Unit
Water Rights		
Central Basin Allowed Pumping Allocation as described in Exhibit 5 - Form of Water Right Assignment	700	Acre Feet Annually
Real Property/Easements		
Real Property - 9716 Glandon Street, APN 6277-021-900	1	Lot
Real Property - 16811 and 16913 Lakewood Blvd, APN 7107-007-900 and 7107-007-901	2	Lot
Real Property - 16403 Lakewood Blvd., APN 7107-015-900	1	Lot
Real Property - 15764 Carfax Avenue, APN 6275-024-900	1	Lot
Easement - 9944 Flora Vista Avenue, APN 7109-009-905, including the High Capacity Well and related equipment - Easement description and deed to be prepared prior to Close of Sale.	1	Easement
Easement - 115312 McNab Avenue, APN 6275-013-015	1	Easement
Easement - 9854 Foster Road, APN 7163-005-017	1	Easement
Easement - 10565 Plunkett Street, APN 7163-005-017	1	Easement
Easement - 10634 Elgers Street, APN 7163-010-013	1	Easement
Easement - 13935 Carfax Avenue, APN 6280-024-007	1	Easement
High Capacity Well 1		
High Capacity Well 1	1	Lot
Well 2		
Well 2	1	Lot
Well 2 Pump	1	Each
3,000-gal Hydropneumatic Tank	1	Each
4" Swing Check Valve	1	Each
4" Propeller Flow Meter	1	Each
25-gal Poly Tank	2	Each
PulsaFeeder Chemical Pump	2	Each
4" Gate Valves	2	Each
Well Building	1	Lot
Office Building	1	Lot
Well 2 Electrical	1	Lot
Well 3		
Well 3	1	Lot
Well 3 Pump	1	Each
3,000-gal Hydropneumatic Tank	1	Each
4" Swing Check Valve	1	Each
4" Propeller Flow Meter	1	Each
25-gal Poly Tank	2	Each
PulsaFeeder Chemical Pump	1	Each
4" Butterfly Valves	2	Each
Well Building	1	Lot
Shop Building	1	Lot
Well 3 Electrical	1	Lot
Well 8		
Well 8	1	Lot
Well 8 Pump	1	Each
3,000-gal Hydropneumatic Tank	1	Each
4" Swing Check Valve	1	Each
4" Propeller Flow Meter	1	Each
25-gal Poly Tank	2	Each

Bellflower MWS
List of Assets

PulsaFeeder Chemical Pump	2	Each
4" Gate Valve	2	Each
Well Building	1	Each
Well 8 Electrical	1	Lot

Distribution System

Pipeline (Paved Areas)	--	--
Water mains, 3 inch - Various Material	676	Lineal Feet
Water mains, 4 inch - Various Material	47,110	Lineal Feet
Water Mains 6 inch - Various Material	21,531	Lineal Feet
Water mains 8 inch - Various Material	1,763	Lineal Feet
Water mains 12 inch - Various Material	1,914	Lineal Feet
Service Connections	--	--
1 inch	1686	
1-1/2 inch	3	Each
2 inch	15	Each
4 inch	1	Each
Meters	--	--
5/8 x 3/4 inch	1654	
3/4 inch	24	Each
1 inch	8	Each
1-1/2 inch	3	Each
2 inch	15	Each
4 inch	1	Each
Inerconnections	--	--
Calfax/Nava (4-inch)	1	Each
Lakewood/Walnut (4-inch)	1	Each
Mapledale/Van Ruiter (12-inch)	1	Each
System 1 (8-inch)	1	Each
Dunbar (6-inch)	1	Each
Somerset/Leahy (8-inch)	1	Each
12" Check Valve	3	Each
Isolation (Gate) Valves	--	--
4 inch	158	Each
6 inch	133	Each
8 inch	10	Each
12 inch	13	Each
2" Blow-off Valves	20	Each
Fire Hydrant	20	Each
Wharf Hydrant	46	Each

Acquired Assets also include all Intellectual Property, Receivables, Claims, Improvements, Permits, Records and any intangible personal property utilized in the operation of the MWS.

Exhibit 2

Accounting Methodologies

Adjustments to the Purchase Price will be made as of Closing on the following categories:

Utility Expenses; Accounts Payable. To the extent not paid by City as of the Closing, City will retain the obligation for payment of all trade accounts that were incurred on or before the Closing Date for work performed or materials delivered for the benefit of the MWS on or before the Closing Date. Buyer is responsible for all trade payables that arise or accrue for the benefit of the MWS after the Closing Date.

Unbilled Revenue. Revenue earned by the MWS during any period (or portion thereof) ending on the Closing Date will be allocated to City and revenue earned by the MWS after the Closing Date will be allocated to Buyer. Buyer will conduct, or cause to be conducted, physical meter reads in the normal course and prorate revenue earned during the applicable billing period based on the number of days before and after the Closing Date during each applicable billing period.

Prepayments. Vendor and customer prepayments will be allocated between City and Buyer at Closing. At Closing, the Purchase Price will be increased by the total amount of such vendor prepayments and reduced by the total amount of such customer prepayments.

Accounts Receivable. Buyer will compute and pay City for the Accounts Receivable Amount portion of the Adjustment Amount on the basis of 90% of the aggregate dollar value of the verified Receivables at Closing, whether or not billed. Unbilled Receivables will be computed based on an estimate at Closing using the billed data for the latest cycle and settled at a later date based on the calculation method described above in Unbilled Revenue. Any Receivable with less than one year remaining before expiration under the applicable statute of limitations is deemed uncollectible, and not included in the Receivables, and its balance will not be included in the Accounts Receivable Amount. City will provide Buyer, to the extent practicable, with a schedule of verified Receivables at the Closing not later than five (5) Business Days before the Closing, and City will provide an updated schedule on and as of the Closing Date. Buyer agrees to collect such accounts receivable in the ordinary course of business.

Cash Reserve Amount. The Purchase Price must be increased dollar for dollar to include the aggregate amount at Closing of all cash, cash equivalents and short-term investments of the MWS maintained by BSMWC, including all bank accounts, demand accounts, certificates of deposit, time deposits, marketable securities, negotiable instruments and the proceeds of accounts receivable paid before the Closing Date.

Customer Deposits; Advances in Aid of Construction. Customer deposits and advances in aid of construction relating to periods before the Closing Date will be credited to Buyer at the Closing.

Exhibit 3

Form of Agreement for Transmission and Production of Water between California-American Water and Bellflower-Somerset Mutual Water Company

See attached.

Execution Copy

**AGREEMENT FOR TRANSMISSION AND PRODUCTION OF WATER
BETWEEN CALIFORNIA AMERICAN WATER AND
BELLFLOWER-SOMERSET MUTUAL WATER COMPANY**

This Agreement for Transmission and Production of Water ("**Agreement**") is entered into by and between California-American Water Company, a California corporation ("**CAWC**"), and Bellflower-Somerset Mutual Water Company, a California corporation ("**BSMWC**"). CAWC and BSMWC may sometimes be individually referred to herein as a "**Party**" and collectively as the "**Parties**."

RECITALS:

WHEREAS, BSMWC is a not-for-profit corporation providing water service to its customers/shareholders who are the owners of record or occupants of real property in the area served by BSMWC, which includes areas within the corporate limits of the City of Bellflower ("**City**");

WHEREAS, CAWC is an investor-owned public utility regulated by the California Public Utilities Commission ("**CPUC**") providing water and sewer service within the State of California;

WHEREAS, CAWC and the City are currently negotiating an asset purchase agreement, pursuant to which CAWC will acquire the water system assets of the City ("**Bellflower System**"), which assets include a high capacity well located at 9944 Flora Vista Street ("**HCW**");

WHEREAS, if CAWC acquires the Bellflower System, CAWC will be the water service provider for the area currently served by the City ("**Bellflower Service Area**");

WHEREAS, after it acquires the Bellflower System, CAWC desires to transmit water produced from the HCW to the Bellflower Service Area through BSMWC's water system ("**BSMWC System**") which is currently connected to the HCW pursuant to an agreement with the City;

WHEREAS, after CAWC's acquisition of the Bellflower System, BSMWC desires for water to be produced from the HCW pursuant to water rights owned or leased by BSMWC ("**BSMWC Water**") for use in serving BSMWC's customers; and

WHEREAS, BSMWC is willing to transmit water produced from the HCW to the CAWC system, and CAWC is willing to permit production of BSMWC Water from the HCW, all in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the above Recitals, which are true and correct and incorporated herein by this reference, and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

Execution Copy

AGREEMENT

1. **Operations/Coordination.**

- a. *HCW Operation.* CAWC at its sole cost and expense shall be responsible for ensuring the HCW and all appurtenant facilities are operative, subject to BSMWC's payment of the Production Charge described in Section 5, below. BSMWC at its sole cost and expense shall monitor and control the production of water from the HCW through BSMWC's SCADA system.
- b. *Meter Operation.* Each Party, at its sole cost and expense, shall be responsible for ensuring its volumetric meter(s) used for the purposes of this Agreement ("**Meter(s)**") are operative. Each Party shall install, maintain, test, repair, and replace its Meter(s) substantially in accordance with California Public Utilities Commission General Order 103A. The Parties shall conduct testing of their respective Meter(s) at no less than the following intervals:
 - i. 1.5 inch and 2 inch — every four (4) years;
 - ii. 3 inch — every three (3) years;
 - iii. 4 inch — every two (2) years; and
 - iv. 6 inch or larger — every one (1) year.
- c. *Schedule Coordination.* No less than annually, and as frequently as the Parties deem necessary, the Parties shall coordinate, either in person or by telephone or other electronic means, to reach mutually agreed upon estimated delivery and estimated production schedules to meet the demands of the Parties' customers.

2. **Transmission to Bellflower System.** BSMWC will transmit water produced by the HCW through the BSMWC System to the Bellflower System ("**CAWC Water**") in sufficient amounts to meet the demand of CAWC's customers in the Bellflower Service Area. The volume of CAWC Water transmitted shall be calculated in accordance with Exhibit "A" and such water shall be reported to the Central Basin Watermaster as water produced by CAWC. CAWC shall be solely responsible for the payment of any Watermaster assessments on that water production.
3. **Production of BSMWC Water.** The HCW is available to produce BSMWC Water for delivery to BSMWC's customers. The volume of BSMWC Water produced and delivered shall be calculated in accordance with Exhibit "A" and such water shall be reported to the Central Basin Watermaster as water produced by BSMWC. BSMWC shall be solely responsible for the payment of any Watermaster assessments on that water production.
4. **Water Wheeling Charge.** CAWC will pay BSMWC a service charge for transmitting the CAWC Water ("**Wheeling Charge**"). The Wheeling Charge will be calculated by BSMWC in accordance with Exhibit "B."
5. **Production Charge.** BSMWC will pay CAWC a volumetric charge for each acre-foot ("**AF**") of water produced from the HCW and delivered to the BSMWC System ("**Production Charge**"). The Production Charge will be calculated by CAWC in accordance with Exhibit "C."
6. **Payment of Wheeling and Production Charges.** The Parties shall invoice each other in arrears on a quarterly basis (i.e., for the three month periods ending September 30,

Execution Copy

December 31, March 31, and June 30 of each fiscal year beginning July 1) for the Wheeling Charge and Production Charge. Invoices shall be processed as follows and shall be payable within forty-five (45) days of receipt by the other Party: (i) if to BSMWC, to the address specified in Section 11, *Notices*; and (ii) if to CAWC, all invoices must be submitted to the Taulia System (instructions for invoice processing are available at <http://supplierinfo.taulia.com/americanwater>). The Parties may change their methods of invoice processing by notice provided in accordance with Section 11, *Notices*.

- a. *Invoice Disputes Generally.* If within ten (10) days after a Party receives its invoice it disputes the accuracy of the charges set forth thereon, the Parties shall attempt to resolve the dispute in accordance with Section 12, *Dispute Resolution*. If a Party does not dispute an invoice within ten (10) days of receipt, the charges set forth on that invoice are deemed correct and the Party waives any right to later dispute that invoice.
 - b. *HCW Meter Dispute.* If BSMWC disputes the accuracy of the HCW source flow meter ("**HCW Meter**"), the Parties may during the meet and confer process test the HCW Meter for accuracy. If the quantity of water recorded by the HCW Meter measures above 105 percent, or below 95 percent, of the actual water passing through the HCW Meter, then the invoice shall be adjusted accordingly and the Parties shall equally divide all costs incurred in testing the HCW Meter. If the HCW Meter is found to be accurate, i.e., if the quantity of water recorded by the HCW Meter does not measure above 105 percent, or below 95 percent, of the actual water passing through the HCW Meter, then BSMWC shall bear all costs incurred in testing the meter.
7. **Interruptions in Service.** The Parties acknowledge that the transmission and production services contemplated by this Agreement ("**Services**") are subject to interruption from time to time, and that such interruptions may be beyond the control of either Party.
 - a. *Scheduled Interruptions.* The Parties reserve the right to interrupt Services when necessary to repair, maintain or install water service facilities ("**Scheduled Interruption(s)**"). If a Party finds it necessary to perform a Scheduled Interruption, it will notify the other Party as soon as practicable of the approximate time and anticipated duration of the Scheduled Interruption. Scheduled Interruptions will be planned to minimize inconvenience to the Parties' customers whenever reasonably possible.
 - b. *Emergency Interruptions.* For purposes of this Agreement, "**Emergency Interruption(s)**" means any interruption of Services other than a Scheduled Interruption. The Parties shall make all reasonable efforts to prevent Emergency Interruptions. If an Emergency Interruption occurs, the Party whose performance has been interrupted shall reestablish the applicable service with the shortest possible delay consistent with the safety of its customers, its employees, and the general public. Emergency Interruptions shall be reported to the other Party by telephone or email as soon as practicable after the occurrence giving rise to the Emergency Interruption.
 - c. *Hold Harmless.* Each Party agrees to hold the other Party harmless from any liability arising from a Scheduled Interruption or an Emergency Interruption (collectively, "**Interruptions**") unless the other Party's negligence or willful misconduct caused that interruption.

Execution Copy

- d. *Impact of Interruptions.* If an Interruption impacts the production and delivery of BSMWC Water, the Production Charge will be subject to adjustment as described in and in accordance with Exhibit "C." If an Interruption impacts the production of CAWC Water, BSMWC shall provide an alternate source of water to CAWC ("**Replacement Water**"). CAWC shall not be required to pay for Replacement Water provided during any fiscal year wherein the HCW produces at least 700 AF of water. If during a fiscal year the HCW does not produce at least 700 AF of water, then CAWC shall pay BSMWC for any Replacement Water provided during that fiscal year, and BSMWC shall invoice CAWC for that Replacement Water during the first quarter of the subsequent fiscal year at BSMWC's average cost of production; provided, however, if the Interruption was caused by the sole negligence or willful misconduct of CAWC, CAWC shall be invoiced and pay for that Replacement Water at BSMWC's then-current retail water rate. Invoicing for Replacement Water shall be processed and paid in accordance with Section 6, *Payment of Wheeling and Production Charges*.
8. **Term.** Subject to receipt of any required CPUC approval as described in Section 25, *CPUC Jurisdiction*, this Agreement shall be effective on the date it has been executed by both Parties. The initial term of this Agreement shall commence on the date that CAWC acquires the Bellflower System and shall continue for a period of ten (10) years with two (2) ten (10) year options to renew based upon mutual written agreement of the Parties signed prior to expiration of the then-existing term. CAWC shall confirm the date that: (i) it acquires the Bellflower System; or (ii) it determines it will not acquire the Bellflower System, by promptly providing notice to BSMWC in accordance with Section 11, *Notices*. If CAWC does not acquire the Bellflower System, this Agreement will automatically terminate effective as of the date set forth in the notice.
9. **Compliance with Law.** Each Party agrees that in performing its obligations under this Agreement, it shall comply with all applicable laws, regulations, and ordinances of any governmental body with jurisdiction.
10. **Representatives.** Each Party will designate at least one individual officer or employee who will be its representative and will be authorized to act on behalf of the Party for all purposes in performing the provisions of this Agreement ("**Representative**"). Each Party may also designate an alternate Representative who will serve in the place of (and with the same authority as) the Representative if the latter is unavailable. The designation may be changed from time to time by notice provided in accordance with Section 11, *Notices*. BSMWC designates its Executive Director as its initial Representative. CAWC designates its Manager of Operations as its initial Representative.
11. **Notices.** Any notice, consent, approval or disapproval to be given or other document to be delivered by either Party to the other hereunder may be delivered in person, by electronic mail, by Federal Express or other private commercial delivery or courier service for next business day delivery, or may be deposited in the United States mail, duly certified or registered, return receipt requested, with postage prepaid, and addressed to the other Party as follows:

Execution Copy

a. *If to BSMWC:*

Bellflower Somerset Mutual Water Company
10016 Flower Street
Bellflower, CA 90706
Attn: Executive Director
Email: steve@bsmwc.com

b. *If to CAWC:*

California American Water
8657 Grand Avenue
Rosemead, CA 91770
Attn: Manager of Operations
Email: monica.na@amwater.com

12. Dispute Resolution. As described in more detail below, a Party that believes a dispute exists under this Agreement must first refer the dispute to the Representatives for resolution. If the dispute cannot be resolved through good faith negotiations, the Parties may agree to use non-binding mediation before having recourse in a court of law.

a. *Meet and Confer.* The Representatives or their designees will personally meet and attempt in good faith to resolve the dispute. If the Representatives cannot resolve the dispute within thirty (30) days of the initial referral, the matter will be referred to senior management of the Parties for resolution. If senior management is unable to resolve the dispute within thirty (30) days thereafter, either Party may request the use of non-binding mediation.

b. *Non-Binding Mediation.* If the dispute cannot be settled through good faith negotiations, the Parties may agree to use non-binding mediation under the rules of JAMS or other rules agreed upon by the Parties before having recourse in a court of law. The expenses of witnesses for either side shall be paid for the party producing such witnesses. All other expenses of the mediation, including required travel and other expenses of the mediator, and the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the Parties, unless they agree otherwise. If the dispute is not resolved through mediation, either Party may thereafter seek recourse in a court of law.

13. Indemnification. To the fullest extent permitted by law, each Party shall defend, indemnify, and hold harmless the other Party and its respective directors, officers, employees, and agents from and against any and all claims asserted or liability established for any damages, costs, losses, and expenses (including attorneys' fees) caused by, arising out of, or related to the active or passive negligent acts or omissions or willful misconduct of the Party or its directors, officers, employees, or agents in the performance of this Agreement. A Party's duty to indemnify and hold harmless the other Party shall not include any claims or liability arising from the established negligence or willful misconduct of the other Party or its directors, officers, employees, or agents.

14. Insurance. Without limiting a Party's duty to indemnify, each Party shall maintain in effect throughout the term of this Agreement insurance coverage at least equivalent to the minimum limits set forth in Exhibit "D." Each Party will include the other Party and its

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directors, officers, employees and agents as additional insured with respect to claims arising out of the performance of this Agreement, including ongoing and completed operations, and shall further provide that its coverage is primary to any insurance or self-insurance maintained by the other Party and that the insurance of an additional insured shall not be called upon to contribute to a loss covered by the other Party's primary coverage. Waiver of subrogation shall apply to all insurance. Upon reasonable request of the other Party, each Party shall provide the other Party with a certificate evidencing the insurance coverage required herein.

15. Termination. Either Party may terminate this Agreement as provided below.

- a. *Bankruptcy or General Assignment.* Immediately if: (i) the other Party commences a voluntary case or other proceeding under any bankruptcy or insolvency law, or seeks the appointment of a trustee, receiver, liquidator, custodian, or similar official of all or any substantial part of its property; (ii) any involuntary case or other proceeding under any bankruptcy or insolvency law, seeking the appointment of a trustee, receiver, liquidator, custodian, or similar official for all or any substantial part of the other Party's property, is commenced against the other Party, and the other Party consents to any relief requested, or if such proceeding is not stayed or discharged within thirty (30) calendar days; or (iii) the other Party makes a general assignment for the benefit of creditors or fails generally to pay its debts as they become due, or otherwise suffers or otherwise permits an attachment of execution levied upon any material portion of its property connected with its performance hereunder. If any of the above events occur, the Party shall immediately notify the other Party of the occurrence in writing.
- b. *Default.* If a Party fails to perform or adequately perform any material obligation required by this Agreement, that failure constitutes a default. If the defaulting Party fails to cure a default within thirty (30) calendar days of receiving written notice from the other Party specifying the nature of the default, the non-defaulting Party may terminate this Agreement unless such default is curable and the defaulting Party is diligently proceeding to correct such default.

16. Entire Agreement. This Agreement constitutes the entire understanding between the Parties relating to the subject matter herein, and supersedes any and all prior or contemporaneous agreements or understandings, whether oral or written, relating to the subject matter herein. Any waiver, modification or amendment of any provision of this Agreement will be effective only if in writing and signed by duly authorized representatives of the Parties.

17. Successors and Assigns. Neither Party will have a right to assign this Agreement, in whole or in part, whether by operation of law or otherwise, without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided that CAWC may assign this Agreement to an affiliate located within the United States without such written consent. Except as otherwise provided herein, any attempt by a Party to assign this Agreement without written consent shall be void for any and all purposes. Subject to the foregoing, this Agreement shall inure to the benefit of the Parties' permitted successors and permitted assigns.

18. Exhibits Incorporated. All Exhibits referenced in this Agreement are attached hereto and incorporated into the Agreement by this reference.

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19. **Venue.** The Parties agree that in the event of litigation, exclusive venue shall be in Los Angeles County, California.
20. **Interpretation.** This Agreement shall be governed and construed in accordance with the laws of the State of California, without reference to or application of conflict of laws provisions. The Parties agree that they are aware that they have the right to be advised by counsel with respect to the negotiations, terms and conditions of this Agreement, and the decision of whether or not to seek advice of counsel with respect to this Agreement is a decision which is the sole responsibility of each Party. This Agreement shall not be construed in favor of or against either Party by reason of the extent to which each Party participated in the drafting of the Agreement.
21. **Headings.** Headings in this Agreement are for convenience only and are not to be used in the construction or interpretation of this Agreement.
22. **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one instrument.
23. **Conflicts Between Terms.** If an apparent conflict or inconsistency exists between the main body of this Agreement and the Exhibits, the main body of this Agreement shall control. If a conflict exists between an applicable federal, state, or local law, rule, regulation, order, or code and this Agreement, the law, rule, regulation, order, or code shall control. Varying degrees of stringency among the main body of this Agreement, the Exhibits, and laws, rules, regulations, orders, or codes are not deemed conflicts, and the most stringent requirement shall control. Each Party shall notify the other immediately upon the identification of any apparent conflict or inconsistency concerning this Agreement.
24. **Third Party Beneficiaries.** This Agreement is made and entered into solely for the benefit of BSMWC and CAWC and no other person shall have any right of action under or by reason of this Agreement.
25. **CPUC Jurisdiction.** This Contract may not become effective until it is approved by the CPUC. This Contract at all times shall be subject to such modifications as the CPUC may direct from time to time in the exercise of its jurisdiction.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives.

BELLFLOWER-SOMERSET MUTUAL
WATER COMPANY, a California corporation

CALIFORNIA-AMERICAN WATER COMPANY,
a California corporation

By: _____



By: _____



Steve Linton Executive Director
Print Name and Title

Garry Huter Vice President, Operations
Print Name and Title

Date: _____

10/20/17

Date: _____

10/20/17

EXHIBIT "A"

Methodology for Calculating Volume of BSMWC Water and CAWC Water

The volume of BSMWC Water produced will be calculated quarterly by subtracting (i) the total volume of water entering the Bellflower System from the BSMWC System, as measured by meters located at each connection point between the two systems (each a "**Connection Point**"), from (ii) the production of the HCW as measured by the source flow meter located at the HCW site. An example calculation is set forth below. The volume of CAWC Water produced shall be the subtrahend of the above equation. The Connection Points existing as of the time of execution of this Agreement are identified in the below table:

Meter	System No.	Meter Size	Location
A	1	6"	Walnut St/Lakewood Blvd
B	1	6"	Dunbar St
C	2/3/4	6"	Bellflower Blvd/Somerset Blvd
D	2/3/4	6"	Blaine Ave
E	5	4"	Bellflower Blvd/Foster Rd
F	6	4"	Carfax Ave
G	8	6"	Palo Verde Ave/Artesia Blvd
H	8	6"	Felson St
I	9	6"	Mapledale St
J	8	5/8"	10302 Felson St
K	8	5/8"	10303 Felson St
L	2	5/8"	15123 Bellflower Blvd
M	2	5/8"	15127 Bellflower Blvd
N	2	5/8"	15133 Bellflower Blvd
O	2	5/8"	15137 Bellflower Blvd
P	2	5/8"	15143 Bellflower Blvd
Q	2	5/8"	15147 Bellflower Blvd
R	2	5/8"	15151 Bellflower Blvd
S	2	5/8"	15159 Bellflower Blvd
T	2	5/8"	15303 Bellflower Blvd
U	2	5/8"	15307 Bellflower Blvd
V	2	5/8"	15313 Bellflower Blvd
W	2	5/8"	15319 Bellflower Blvd

Example Calculation of BSMWC Water Produced:

Quarterly volume of BSMWC Water Produced = [Quarterly HCW Production] – [Quarterly volumes measured at Meter A + Meter B + Meter C + Meter D + Meter E + Meter F + Meter G + Meter H + Meter I + Meter J + Meter K + Meter L + Meter M + Meter N + Meter O + Meter P + Meter Q + Meter R + Meter S + Meter T + Meter U + Meter V + Meter W]

EXHIBIT "C"

Methodology for Calculating Production Charge

Pricing for the first fiscal year of the initial term is set forth in Table 1 below. Thereafter, Tiered Rates and Marginal Cost Above Projected Demand rates shall be subject to escalation as described in Section II below, and Variable Cost Rates shall be subject to adjustment as described in Section III below.

TABLE 1
Rate Structure (\$/AF)

<u>Projected Demand (AFY)</u>	<u>Variable Cost Rate</u>	<u>Tiered Rate</u>	<u>Total Rate</u>	<u>Marginal Cost Above Projected Demand</u>
<u>500</u>	<u>\$68</u>	<u>\$291</u>	<u>\$359</u>	<u>\$188</u>
<u>1000</u>	<u>\$68</u>	<u>\$205</u>	<u>\$273</u>	<u>\$133</u>
<u>1500</u>	<u>\$68</u>	<u>\$159</u>	<u>\$227</u>	<u>\$109</u>
<u>2000</u>	<u>\$68</u>	<u>\$129</u>	<u>\$197</u>	<u>\$96</u>
<u>2500</u>	<u>\$68</u>	<u>\$109</u>	<u>\$177</u>	<u>\$96</u>

I. Rate Determination. As soon as practical prior to the beginning of the initial term, and each year in April thereafter, BSMWC will provide CAWC with BSMWC's projected demand for BSMWC Water during the first fiscal year of the initial term or subsequent fiscal year (July 1 – June 30), as applicable ("**Projected Demand**"). The Projected Demand shall be in 500 AF increments and shall not exceed 2,500 AF per year ("**AFY**"). If, due to Scheduled Interruption(s), CAWC does not expect to be able to meet the initially requested Projected Demand, CAWC shall promptly notify BSMWC and the Parties shall collaborate to agree upon a revised Projected Demand.

CAWC will invoice BSMWC quarterly for the Production Charge based on the Total Rate applicable to the Projected Demand (see Scenario 1 below). Scenario 2 and Scenario 3 below describe how the Production Charge will be calculated if BSMWC takes more or less BSMWC Water than the Projected Demand. If, due to a CAWC Emergency Interruption, CAWC cannot deliver the full Projected Demand, BSMWC will pay the Total Rate applicable to the Projected Demand for the amount actually taken (see Scenario 4 below).

Quarterly invoices will be calculated by multiplying the amount of BSMWC Water actually taken by the Total Rate applicable to the Projected Demand. The Production Charge will be adjusted (increased or decreased) by CAWC based on the amount of BSMWC Water actually taken by BSMWC during the fiscal year ("**True-Up**"). CAWC will apply the True-Up to the April – June quarterly invoice as a line-item credit or additional charge, as applicable.

The following examples illustrate calculation of the Production Charge assuming a Projected Demand of 2,000 AF during the first fiscal year of the initial term (Table 1 pricing with no escalation or adjustment applied):

- Scenario 1: BSMWC takes the exact amount of its Projected Demand. The invoiced Production Charge is \$197/AF x 2,000 AF = \$394,000. No True-Up calculation is required.

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- Scenario 2: BSMWC takes 500 AF more than its Projected Demand. The invoiced Production Charge is $\$197/\text{AF} \times 2,500 \text{ AF} = \$492,500$. The True-Up calculation is $[(\$197/\text{AF} \times 2,000 \text{ AF}) + (\$96/\text{AF} \times 500 \text{ AF})] - \$492,500 = \{\$50,500\}$ (credit to BSMWC).
- Scenario 3: BSMWC, at its discretion, takes 400 AF less than its Projected Demand. The invoiced Production Charge is $\$197/\text{AF} \times 1,600 \text{ AF} = \$315,200$. The True-Up calculation is $[(\$227/\text{AF} \times 1,500 \text{ AF}) + (\$109/\text{AF} \times 100 \text{ AF})] - \$315,200 = \$36,200$ (balance owed to CAWC).
- Scenario 4: Due to an Emergency Interruption CAWC is only able to deliver 1,600 AF of the Projected Demand. The invoiced Production Charge is $(\$197/\text{AF} \times 1,600 \text{ AF}) = \$315,200$. No True-Up calculation is required.

II. Tiered and Marginal Rate Escalation. Unless use of a different escalation methodology has been agreed upon in writing by the Parties, for each subsequent fiscal year, Tiered Rates and Marginal Cost Above Projected Demand rates (collectively, "Rates") shall be subject to an annual increase as a result of an increase in the Consumer Price Index ("CPI"). The basis for computing each CPI increase shall be the CPI for All Urban Consumers, U.S. City Average, All Items, not seasonally adjusted, 1982-1984=100 (or then-current standard reference base) ("Index")*. In July of each year following commencement of the initial term, the increase in each of the Rates, if any, shall be calculated as the Rates in effect during the immediately preceding fiscal year plus the Rates in effect during the immediately preceding fiscal year multiplied by the percent increase in the Indexes published for June of the immediately two preceding calendar years.

Table 2 below illustrates application of the computation of the Tiered Rates escalation assuming the initial term of the Agreement commences in January of 2018:

TABLE 2	
Percent Change in CPI	Tiered Rate CPI Increase
Index for June 2018: 136	$\$290 + [\$290 \times .047] = \$303.63$
Less Index for June 2017: 129.9	$\$120 + [\$120 \times .047] = \$125.64$
Equals Index point change: 6.1	$\$65 + [\$65 \times .047] = \$68.06$
Divided by June 2017 Index: 129.9	$\$41 + [\$41 \times .047] = \$42.93$
Equals .047	$\$28 + [\$28 \times .047] = \$29.31$

III. Variable Cost Rate True-Up. The Variable Cost Rate consists of an estimated Purchased Power Rate of $\$55.50/\text{AF}$ and an estimated All Other Variable Cost of $\$12.50/\text{AF}$. After the end of each fiscal year during the term of this Agreement, the Variable Cost Rate will be adjusted (increased or decreased) by CAWC based on the actual cost of producing water from the HCW during that fiscal year ("VC True-Up"). CAWC will apply the VC True-Up to the April – June quarterly invoice as a line-item credit or additional charge, as applicable.

*If publication of the Index by any governmental or private agency is discontinued or if it is so modified that it does not accurately reflect the changes in consumer prices from one year to another, then the Parties shall use such other index as is then generally recognized and accepted for similar determination of changes in consumer prices. If the Index is revised, it shall be converted in accordance with the conversion factor published by the Bureau of Labor Statistics or any other governmental agency then publishing the same.

EXHIBIT "D"

Minimum Insurance Coverage

See attached sample ACORD certificate for minimum coverage requirements.



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:		
INSURANCE BROKER AND ADDRESS	PHONE (A/C, No, Ext):	FAX (A/C, No):	
	E-MAIL:		
	ADDRESS:		
	PRODUCER CUSTOMER ID #:		
INSURED THE NAMED INSURED'S FULL NAME AS IT APPEARS ON THE POLICY DECLARATION'S PAGE ADDRESS	INSURER(S) AFFORDING COVERAGE		NAIC #
	INSURER A : ABC INSURANCE COMPANY		
	INSURER B : DEF INSURANCE COMPANY		
	INSURER C :		
	INSURER D :		
	INSURER E :		
INSURER F :			

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input checked="" type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	CGL1234	01/01/2014	01/01/2015	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 1,000,000 PRODUCTS - COMP/OP AGG \$ 1,000,000
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	AL5678	01/01/2014	01/01/2015	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$ \$
B	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DEDUCTIBLE \$ RETENTION \$	<input checked="" type="checkbox"/>	<input type="checkbox"/>	XS9876	01/01/2014	01/01/2015	EACH OCCURRENCE \$ 9,000,000 AGGREGATE \$ 9,000,000 \$ \$
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> (Mandatory in NH) If yes, describe under SPECIAL PROVISIONS below	<input type="checkbox"/> Y/N	<input checked="" type="checkbox"/> N/A	WC5432	01/01/2014	01/01/2015	<input checked="" type="checkbox"/> WC STATUS <input checked="" type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000 EACH CLAIM \$ POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

(Reference Project Location or Contract No.) Certificate Holder is included as Additional Insured, except for workers compensation, with respect to liability arising out of the Named Insured's operations as required by written contract. Any coverage afforded to the Certificate Holder shall apply as primary and non-contributory to any other insurance or self insurance available to Certificate Holder. Waiver of subrogation shall apply to all insurance.

CERTIFICATE HOLDER

CANCELLATION

CERTIFICATE HOLDER'S FULL NAME ADDRESS	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE

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Exhibit 4

Form of Bill of Sale

This Bill of Sale ("**Bill of Sale**") dated as of the __ day of _____, 2017, is made by City of Bellflower, a general law city and municipal corporation ("**Seller**"), for the benefit of California-American Water Company, a California corporation ("**Buyer**"). Capitalized terms not otherwise defined herein have the meanings given to them in the Asset Purchase Agreement (defined below).

RECITALS

Seller and Buyer executed and delivered a Purchase and Sale Agreement also known as an Asset Purchase Agreement (the "**Asset Purchase Agreement**"), dated _____, 2017, pursuant to which, among other things, Seller agreed to sell to Buyer all of the Seller's right, title and interest in and to the Acquired Assets, in exchange for the consideration set forth therein; and

Pursuant to the terms of the Asset Purchase Agreement, Seller desires to transfer and assign to Buyer all of the Seller's right, title and interest in and to the Acquired Assets, and Buyer desires to acquire all of the Seller's right, title and interest in and to the Acquired Assets.

Accordingly, the Parties agree as follows:

1. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller grants, sells, delivers, transfers, assigns and conveys to Buyer, its successors and assigns forever, all of Seller's right, title and interest in and to the Acquired Assets, free and clear of all Encumbrances.

2. Seller covenants and agrees to warrant and defend the sale, transfer, assignment, conveyance, grant and delivery of the Acquired Assets hereby made against all persons whomsoever, to take all steps reasonably necessary to establish the record of Buyer's title to the Acquired Assets and, at the request of Buyer, to execute and deliver further instruments of transfer and assignment and take such other action as Buyer may reasonably request to more effectively transfer and assign to and vest in Buyer each of the Acquired Assets, all at the sole cost and expense of Seller.

3. This Bill of Sale is binding upon Seller and its successors and permitted assigns and inures to the benefit of Buyer and its successors and permitted assigns. Nothing in this Bill of Sale is intended to confer upon any other person except Buyer and Seller any rights or remedies hereunder or create any third party beneficiary rights in any person.

4. This Bill of Sale is being delivered pursuant to the Asset Purchase Agreement and must be construed consistently therewith. In the event of any conflict or ambiguity between the terms of the Asset Purchase Agreement and the terms of this Bill of Sale, the terms of the Asset Purchase Agreement control. This Bill of Sale is not intended to, and does not in any manner, enlarge, diminish or modify the rights and obligations of the parties to the Asset Purchase Agreement including, without limitation, any representations, warranties or indemnification obligations contained therein.

5. The parties hereto agree to execute such documents and other papers and perform such further acts as may be reasonably required to carry out the provisions hereof and the transactions contemplated hereby.

6. This Bill of Sale may be executed in counterparts, each of which is deemed an original and all of which together constitutes one and the same instrument.

7. This Bill of Sale is to be governed by and construed in accordance with the laws of the State of California without regard to its conflicts of law principles.

IN WITNESS WHEREOF, each of Seller and Buyer have caused this Bill of Sale to be signed on the date first above written.

**The City of Bellflower,
a California municipal corporation**

By: _____
Name: Jeffrey L. Stewart
Title: City Manager

Accepted and Acknowledged:

**California-American Water Company,
a California corporation**

By: _____
Name:
Title:

Exhibit 5

Form of Water Rights Assignment

**ASSIGNMENT OF WATER RIGHTS
(Central Basin)**

For valuable consideration, **City of Bellflower** ("Grantor"), hereby sells and transfers to **California-American Water Company** ("Grantee"):

The right to extract **700.00** acre-feet of Grantor's Allowed Pumping Allocation (**875.00** acre-feet of Total Water Right), together with all carryover rights and storage rights associated therewith, allocated to Grantor (or predecessors in interest) under and pursuant to Judgment dated October 11, 1965 and entered in Los Angeles Superior Court Case No. 786,656 entitled "Central and West Basin Water Replenishment District vs. Charles E. Adams, et al."

DATED: _____

DATED: _____

City of Bellflower

California-American Water Company

By: _____

By: _____

Name: Jeffrey L. Stewart

Name:

Title: City Manager

Title:

ATTACHMENT 2

California American Water Company				Attachment 3			
Bellflower Municipal Water System				Testimony of Jonathan Morse			
Results of Operations Year 1 and Year 5 Projections (\$1,000)							
	California American Water*		Bellflower		Combined Water Companies		
	Y1	Y5	Y1	Y5	Y1	Y5	
Operating Water Revenues	\$ 242,510	\$ 272,947	\$ 3,025	\$ 3,404	\$ 245,535	\$ 276,352	
Operating Expenses	\$ 154,897	\$ 174,338	\$ 1,850	\$ 2,082	\$ 156,747	\$ 176,420	
Depreciation	\$ 27,381	\$ 30,817	\$ 438	\$ 493	\$ 27,819	\$ 31,310	
General Taxes	\$ 7,235	\$ 8,143	\$ 148	\$ 167	\$ 7,383	\$ 8,309	
Total Exp. Before Inc Tax	\$ 189,513	\$ 213,298	\$ 2,436	\$ 2,742	\$ 191,949	\$ 216,040	
Income Taxes (Fed & State)	\$ 10,562	\$ 11,888	\$ 518	\$ 583	\$ 11,080	\$ 12,471	
Total Expenses	\$ 200,075	\$ 225,186	\$ 2,954	\$ 3,324	\$ 203,029	\$ 228,511	
Net Operating Revenue	\$ 42,435	\$ 47,761	\$ 71	\$ 80	\$ 42,506	\$ 47,841	

*Reflects the Supplemental Federal Tax Legislation Changes filed April 6, 2018 and Cost of Capital D.18-03-035.

ATTACHMENT 3

Description	Quantity	Unit	Unit Cost	Cost	Contingency	Engineering	Construction Oversight	Permitting	Administrative	Total	Date	Service Life	Age	Remaining Life	Asset Depreciation	Sub-Total RCNLD Valuation	Total RCNLD Valuation
High Capacity Well 1																	
High Capacity Well 1	1	LS	--	--	--	--	--	--	--	\$3,273,878	2012	50	5	45	\$327,387.80	\$2,946,490.20	\$2,946,490.20
Well 2																	
Well 2	1	LS	\$171,488	\$171,488	\$51,446	\$22,293	\$22,293	\$11,147	\$11,147	\$289,815	1946	80	71	9	\$257,210.56	\$32,604.16	\$32,604.16
Well 2 Pump	1	EA	\$33,000	\$33,000	\$9,900	\$4,290	\$4,290	\$2,145	\$2,145	\$55,770	1946	80	71	9	\$49,495.88	\$6,274.13	\$6,274.13
3,000-gal Hydropneumatic Tank	1	EA	\$19,000	\$19,000	\$5,700	\$2,470	\$2,470	\$1,235	\$1,235	\$32,110	1946	80	71	9	\$28,497.63	\$3,612.38	\$3,612.38
4" Swing Check Valve	1	EA	\$1,600	\$1,600	\$480	\$208	\$208	\$104	\$104	\$2,704	1946	80	71	9	\$2,399.80	\$304.20	\$304.20
4" Propeller Flow Meter	1	EA	\$2,000	\$2,000	\$600	\$260	\$260	\$130	\$130	\$3,380	1946	80	71	9	\$2,999.75	\$380.25	\$380.25
25-gal Poly Tank	2	EA	\$93	\$186	\$56	\$24	\$24	\$12	\$12	\$314	1946	80	71	9	\$278.98	\$35.36	\$35.36
Pulsafeeder Chemical Pump	2	EA	\$1,130	\$2,260	\$678	\$294	\$294	\$147	\$147	\$3,819	1946	80	71	9	\$3,389.72	\$429.68	\$429.68
4" Gate Valves	2	EA	\$560	\$1,120	\$336	\$146	\$146	\$73	\$73	\$1,893	1946	80	71	9	\$1,679.86	\$212.94	\$212.94
Well Building	1	LS	\$3,600	\$3,600	\$1,080	\$468	\$468	\$234	\$234	\$6,084	1946	80	71	9	\$5,399.55	\$684.45	\$684.45
Office Building	1	LS	\$47,576	\$47,576	\$14,273	\$6,185	\$6,185	\$3,092	\$3,092	\$80,403	1946	100	71	29	\$7,086.44	\$23,317.00	\$23,317.00
Well 2 Electrical	1	LS	\$16,000	\$16,000	\$4,800	\$2,080	\$2,080	\$1,040	\$1,040	\$27,040	1946	85	71	14	\$22,586.35	\$4,453.65	\$4,453.65
Well 3																	
Well 3	1	LS	\$174,542	\$174,542	\$52,363	\$22,690	\$22,690	\$11,345	\$11,345	\$294,976	1941	80	76	4	\$280,227.18	\$14,748.80	\$14,748.80
Well 3 Pump	1	EA	\$43,000	\$43,000	\$12,900	\$5,590	\$5,590	\$2,795	\$2,795	\$72,670	1941	80	76	4	\$69,036.50	\$3,633.50	\$3,633.50
3,000-gal Hydropneumatic Tank	1	EA	\$19,000	\$19,000	\$5,700	\$2,470	\$2,470	\$1,235	\$1,235	\$32,110	1941	80	76	4	\$30,504.50	\$1,605.50	\$1,605.50
4" Swing Check Valve	1	EA	\$1,600	\$1,600	\$480	\$208	\$208	\$104	\$104	\$2,704	1941	80	76	4	\$2,356.80	\$335.20	\$335.20
4" Propeller Flow Meter	1	EA	\$2,000	\$2,000	\$600	\$260	\$260	\$130	\$130	\$3,380	1941	80	76	4	\$3,211.00	\$169.00	\$169.00
25-gal Poly Tank	2	EA	\$93	\$186	\$56	\$24	\$24	\$12	\$12	\$314	1941	80	76	4	\$298.62	\$15.72	\$15.72
Pulsafeeder Chemical Pump	2	EA	\$1,130	\$2,260	\$678	\$294	\$294	\$147	\$147	\$3,819	1941	80	76	4	\$3,414.22	\$95.49	\$95.49
4" Butterfly Valves	2	EA	\$615	\$1,230	\$369	\$160	\$160	\$80	\$80	\$2,079	1941	80	76	4	\$1,974.77	\$103.94	\$103.94
Well Building	1	LS	\$3,600	\$3,600	\$1,080	\$468	\$468	\$234	\$234	\$6,084	1941	80	76	4	\$5,779.80	\$304.20	\$304.20
Shop Building	1	LS	\$26,013	\$26,013	\$7,804	\$3,382	\$3,382	\$1,691	\$1,691	\$43,962	1941	100	76	24	\$3,413.10	\$10,550.87	\$10,550.87
Well 3 Electrical	1	LS	\$14,500	\$14,500	\$4,350	\$1,885	\$1,885	\$943	\$943	\$24,505	1941	80	76	4	\$23,279.75	\$1,225.25	\$1,225.25
Well 8																	
Well 8	1	LS	\$165,372	\$165,372	\$49,612	\$21,498	\$21,498	\$10,749	\$10,749	\$279,479	1952	80	65	15	\$227,076.43	\$52,402.25	\$52,402.25
Well 8 Pump	1	EA	\$33,000	\$33,000	\$9,900	\$4,290	\$4,290	\$2,145	\$2,145	\$55,770	1952	80	65	15	\$45,313.13	\$10,456.88	\$10,456.88
3,000-gal Hydropneumatic Tank	1	EA	\$19,000	\$19,000	\$5,700	\$2,470	\$2,470	\$1,235	\$1,235	\$32,110	1952	80	65	15	\$26,089.38	\$6,020.63	\$6,020.63
4" Swing Check Valve	1	EA	\$1,600	\$1,600	\$480	\$208	\$208	\$104	\$104	\$2,704	1952	80	65	15	\$2,197.00	\$507.00	\$507.00
4" Propeller Flow Meter	1	EA	\$2,000	\$2,000	\$600	\$260	\$260	\$130	\$130	\$3,380	1952	80	65	15	\$2,746.25	\$633.75	\$633.75
25-gal Poly Tank	1	EA	\$93	\$93	\$28	\$12	\$12	\$6	\$6	\$157	1952	80	65	15	\$127.70	\$29.47	\$29.47
Pulsafeeder Chemical Pump	1	EA	\$1,130	\$1,130	\$339	\$147	\$147	\$73	\$73	\$1,910	1952	80	65	15	\$1,551.63	\$358.07	\$358.07
4" Gate Valve	2	EA	\$560	\$1,120	\$336	\$146	\$146	\$73	\$73	\$1,893	1952	80	65	15	\$1,537.90	\$354.90	\$354.90
Well Building	1	LS	\$3,600	\$3,600	\$1,080	\$468	\$468	\$234	\$234	\$6,084	1952	80	65	15	\$4,943.25	\$1,140.75	\$1,140.75
Well 8 Electrical	1	LS	\$13,000	\$13,000	\$3,900	\$1,690	\$1,690	\$845	\$845	\$21,970	1952	80	65	15	\$17,850.63	\$4,119.38	\$4,119.38
Distribution System																	
Pipeline (Paved Areas)																	
PVC water mains, 3 inch C900	--	LF	\$60	\$40,560	\$12,168	\$5,273	\$5,273	\$2,636	\$2,636	\$68,546	1941	90	76	14	\$57,883.63	\$10,662.77	\$10,662.77
PVC water mains, 4 inch C900	1,763	LF	\$80	\$141,040	\$42,312	\$18,335	\$18,335	\$9,168	\$9,168	\$238,358	1940	90	77	13	\$203,928.17	\$34,429.43	\$34,429.43
PVC water mains, 4 inch C900	2,326	LF	\$80	\$186,080	\$55,824	\$24,190	\$24,190	\$12,095	\$12,095	\$314,475	1941	90	76	14	\$265,556.84	\$48,918.36	\$48,918.36
PVC water mains, 4 inch C900	525	LF	\$80	\$42,000	\$12,600	\$5,460	\$5,460	\$2,730	\$2,730	\$70,980	1944	90	73	17	\$57,572.67	\$13,407.33	\$13,407.33
PVC water mains, 4 inch C900	4,989	LF	\$80	\$399,120	\$119,736	\$51,886	\$51,886	\$25,943	\$25,943	\$674,513	1946	90	71	19	\$532,115.65	\$142,397.15	\$142,397.15
PVC water mains, 4 inch C900	1,726	LF	\$80	\$138,080	\$41,424	\$17,950	\$17,950	\$8,975	\$8,975	\$233,355	1948	90	69	21	\$178,905.65	\$54,449.55	\$54,449.55
PVC water mains, 4 inch C900	2,926	LF	\$80	\$234,080	\$70,224	\$30,430	\$30,430	\$15,215	\$15,215	\$395,595	1950	90	67	23	\$294,498.65	\$101,096.55	\$101,096.55
PVC water mains, 4 inch C900	7,913	LF	\$80	\$633,040	\$189,912	\$82,295	\$82,295	\$41,148	\$41,148	\$1,069,838	1952	75	65	10	\$927,192.59	\$142,645.01	\$142,645.01
PVC water mains, 4 inch C900	1,913	LF	\$80	\$153,040	\$45,912	\$19,895	\$19,895	\$9,948	\$9,948	\$258,638	1953	75	64	11	\$220,704.09	\$37,933.51	\$37,933.51
PVC water mains, 4 inch C900	12,490	LF	\$80	\$999,200	\$299,760	\$129,896	\$129,896	\$64,948	\$64,948	\$1,688,648	1954	75	63	12	\$1,418,464.32	\$270,183.68	\$270,183.68
PVC water mains, 4 inch C900	901	LF	\$80	\$72,080	\$21,624	\$9,370	\$9,370	\$4,685	\$4,685	\$121,815	1955	75	62	13	\$100,700.57	\$21,114.63	\$21,114.63
PVC water mains, 4 inch C900	2,588	LF	\$80	\$207,040	\$62,112	\$26,915	\$26,915	\$13,458	\$13,458	\$349,898	1957	75	60	15	\$279,918.08	\$69,979.52	\$69,979.52
PVC water mains, 4 inch C900	7,050	LF	\$80	\$564,000	\$169,200	\$73,320	\$73,320	\$36,660	\$36,660	\$953,160	1958	75	59	16	\$749,819.20	\$203,340.80	\$203,340.80

113	PVC water mains, 6 inch C900	LF	\$120	\$13,560	\$4,068	\$1,763	\$1,763	\$881	\$22,916	1940	90	77	13	\$19,606.25	\$3,310.15
2,813	PVC water mains, 6 inch C900	LF	\$120	\$337,560	\$101,268	\$43,883	\$43,883	\$21,941	\$570,476	1941	90	76	14	\$481,735.63	\$88,740.77
713	PVC water mains, 6 inch C900	LF	\$120	\$85,560	\$25,668	\$11,123	\$11,123	\$5,561	\$144,596	1942	90	75	15	\$120,497.00	\$24,099.40
638	PVC water mains, 6 inch C900	LF	\$120	\$265,560	\$79,668	\$34,523	\$34,523	\$17,261	\$448,796	1944	90	73	17	\$364,023.75	\$84,772.65
3,151	PVC water mains, 6 inch C900	LF	\$120	\$76,560	\$22,968	\$9,953	\$9,953	\$4,976	\$129,386	1946	90	71	19	\$102,071.49	\$27,314.91
1,688	PVC water mains, 6 inch C900	LF	\$120	\$378,120	\$113,436	\$49,156	\$49,156	\$24,578	\$639,023	1948	90	69	21	\$469,917.88	\$149,105.32
3,751	PVC water mains, 6 inch C900	LF	\$120	\$202,560	\$60,768	\$26,333	\$26,333	\$13,166	\$342,326	1952	75	65	10	\$296,682.88	\$45,643.52
5,138	PVC water mains, 6 inch C900	LF	\$120	\$450,120	\$135,036	\$58,516	\$58,516	\$29,258	\$760,703	1954	75	63	12	\$638,990.35	\$121,712.45
1,313	PVC water mains, 6 inch C900	LF	\$120	\$616,560	\$184,968	\$80,153	\$80,153	\$40,076	\$1,041,966	1958	75	59	16	\$819,695.97	\$222,290.43
1,763	PVC water mains, 8 inch C900	LF	\$160	\$282,080	\$84,624	\$36,670	\$36,670	\$18,335	\$476,715	1940	90	77	13	\$407,856.34	\$68,858.86
4,133	PVC water mains, 12 inch C900	LF	\$240	\$99,120	\$29,736	\$12,886	\$12,886	\$6,443	\$167,513	1941	90	76	14	\$141,455.25	\$26,057.55
675	PVC water mains, 12 inch C900	LF	\$240	\$162,000	\$48,600	\$21,060	\$21,060	\$10,530	\$273,780	1946	90	71	19	\$215,982.00	\$57,798.00
338	PVC water mains, 12 inch C900	LF	\$240	\$81,120	\$24,336	\$10,546	\$10,546	\$5,273	\$137,083	1952	75	65	10	\$118,813.76	\$18,279.04
225	PVC water mains, 12 inch C900	LF	\$240	\$54,000	\$16,200	\$7,020	\$7,020	\$3,510	\$91,260	1954	75	63	12	\$76,658.40	\$14,601.60
263	PVC water mains, 12 inch C900	LF	\$240	\$63,120	\$18,936	\$8,206	\$8,206	\$4,103	\$106,673	1958	75	59	16	\$83,915.94	\$22,756.86
Service Connections															
--	1 inch	EA	--	--	--	--	--	--	--	--	50	24	26	\$369,359.64	\$369,359.64
1065	1 inch	EA	\$2,335	\$420,300	\$126,090	\$54,639	\$54,639	\$27,320	\$710,307	1993	50	17	33	\$1,428,900.92	\$2,773,748.84
61	1 inch	EA	\$2,335	\$248,675	\$746,033	\$323,281	\$323,281	\$161,640	\$4,202,650	2000	50	13	37	\$62,585.94	\$178,129.21
57	1 inch	EA	\$2,335	\$142,435	\$42,731	\$18,517	\$18,517	\$9,258	\$240,715	2004	50	13	37	\$62,585.94	\$178,129.21
246	1 inch	EA	\$2,335	\$133,095	\$39,929	\$17,302	\$17,302	\$8,651	\$224,931	2008	50	9	41	\$40,487.50	\$184,443.05
34	1 inch	EA	\$2,335	\$574,410	\$172,323	\$74,673	\$74,673	\$37,337	\$970,753	2009	50	8	42	\$159,320.46	\$815,432.44
1	1 inch	EA	\$2,335	\$79,390	\$23,817	\$10,321	\$10,321	\$5,160	\$134,169	2010	50	7	43	\$48,783.67	\$115,385.43
15	1 inch	EA	\$2,335	\$2,335	\$701	\$304	\$304	\$152	\$3,946	2011	50	6	44	\$473.54	\$3,472.61
19	1 inch	EA	\$2,335	\$35,025	\$10,508	\$4,553	\$4,553	\$2,277	\$59,192	2012	50	5	45	\$5,919.23	\$53,273.03
1	1 inch	EA	\$2,335	\$44,365	\$13,310	\$5,767	\$5,767	\$2,884	\$74,977	2013	50	4	46	\$5,998.15	\$68,978.70
8	1 inch	EA	\$2,335	\$18,680	\$5,604	\$2,428	\$2,428	\$1,214	\$31,569	2014	50	3	47	\$1,894.15	\$29,675.05
3	1-1/2 inch	EA	\$3,035	\$9,105	\$2,732	\$1,184	\$1,184	\$592	\$15,387	2000	50	17	33	\$10,155.72	\$10,155.72
15	2 inch	EA	\$3,985	\$59,775	\$17,933	\$7,771	\$7,771	\$3,885	\$101,020	2000	50	17	33	\$34,346.72	\$66,673.04
1	4 inch	EA	\$5,765	\$5,765	\$1,730	\$749	\$749	\$375	\$9,743	2004	50	13	37	\$2,533.14	\$7,209.71
Meters															
96	5/8 x 3/4 inch	EA	\$125	\$12,000	\$3,600	\$1,560	\$1,560	\$780	\$20,280	1993	30	24	6	\$16,224.00	\$4,056.00
1041	5/8 x 3/4 inch	EA	\$125	\$130,125	\$39,038	\$16,916	\$16,916	\$8,458	\$219,911	2000	30	17	13	\$124,616.38	\$95,294.88
53	5/8 x 3/4 inch	EA	\$125	\$6,625	\$1,988	\$861	\$861	\$431	\$11,196	2004	30	13	17	\$4,851.71	\$6,344.54
363	5/8 x 3/4 inch	EA	\$125	\$45,375	\$13,613	\$5,899	\$5,899	\$2,949	\$76,684	2009	30	8	22	\$20,449.00	\$56,234.75
60	5/8 x 3/4 inch	EA	\$125	\$7,500	\$2,250	\$975	\$975	\$488	\$12,675	2010	30	7	23	\$2,957.50	\$9,717.50
11	5/8 x 3/4 inch	EA	\$125	\$1,375	\$413	\$179	\$179	\$89	\$2,324	2012	30	5	25	\$387.29	\$1,936.46
18	5/8 x 3/4 inch	EA	\$125	\$2,250	\$675	\$293	\$293	\$146	\$3,803	2013	30	4	26	\$507.00	\$3,295.50
12	5/8 x 3/4 inch	EA	\$125	\$1,500	\$450	\$195	\$195	\$98	\$2,535	2014	30	3	27	\$253.50	\$2,281.50
24	3/4 inch	EA	\$145	\$3,480	\$1,044	\$452	\$452	\$226	\$5,881	2000	30	17	13	\$3,332.68	\$2,548.52
8	1 inch	EA	\$165	\$1,320	\$396	\$172	\$172	\$86	\$2,231	2004	30	13	17	\$966.68	\$1,264.12
3	1-1/2 inch	EA	\$400	\$1,200	\$360	\$156	\$156	\$78	\$2,028	2000	30	17	13	\$1,149.20	\$878.80
15	2 inch	EA	\$515	\$7,725	\$2,318	\$1,004	\$1,004	\$502	\$13,055	2000	30	17	13	\$7,397.98	\$5,657.28
1	4 inch	EA	\$1,235	\$1,235	\$371	\$161	\$161	\$80	\$2,087	2000	30	17	13	\$1,182.72	\$904.43
Interconnections															
1	Calrax/Navia (4-inch)	EA	\$8,860	\$8,860	\$2,658	\$1,152	\$1,152	\$576	\$14,973	2007	40	10	30	\$3,743.35	\$11,230.05
1	Lakewood/Walnut (4-inch)	EA	\$8,860	\$8,860	\$2,658	\$1,152	\$1,152	\$576	\$14,973	2008	40	9	31	\$3,369.02	\$11,604.39
1	Mapleleaf/Van Ruler (12-inch)	EA	\$30,240	\$30,240	\$9,072	\$3,931	\$3,931	\$1,966	\$51,106	2010	40	7	33	\$8,943.48	\$42,162.12
1	System 1 (8-inch)	EA	\$18,840	\$18,840	\$5,652	\$2,449	\$2,449	\$1,225	\$31,840	2010	40	7	33	\$5,571.93	\$26,267.67
1	Dunbar (6-inch)	EA	\$13,670	\$13,670	\$4,101	\$1,777	\$889	\$889	\$23,102	2013	40	4	36	\$2,310.23	\$20,792.07
1	Someres/Leahy (8-inch)	EA	\$18,840	\$18,840	\$5,652	\$2,449	\$2,449	\$1,225	\$31,840	2014	40	3	37	\$2,387.97	\$29,451.63
3	12" Check Valve	EA	\$10,200	\$30,600	\$9,180	\$3,978	\$1,989	\$1,989	\$51,714	1950	80	67	13	\$43,310.48	\$8,403.53
Isolation (Gate) Valves															
--	4 inch	EA	\$560	\$88,480	\$26,544	\$11,502	\$11,502	\$5,751	\$149,531	1950	80	67	13	\$125,232.38	\$24,298.82
158	6 inch	EA	\$1,800	\$239,400	\$71,820	\$31,122	\$31,122	\$15,561	\$404,586	1950	80	67	13	\$336,840.78	\$65,745.23
133	8 inch	EA	\$2,000	\$20,000	\$6,000	\$2,600	\$2,600	\$1,300	\$33,800	1950	80	67	13	\$28,307.50	\$5,492.50
10	12 inch	EA	\$3,500	\$45,500	\$13,650	\$5,915	\$5,915	\$2,958	\$76,895	1950	80	67	13	\$64,399.56	\$12,495.44
13	2" Blow-off Valves	EA	\$4,000	\$4,000	\$1,200	\$520	\$520	\$260	\$6,760	1940	85	77	8	\$6,123.76	\$636.24
2	2" Blow-off Valves	EA	\$4,000	\$8,000	\$2,400	\$1,040	\$1,040	\$520	\$13,520	1941	85	76	9	\$12,088.47	\$1,431.53
1	2" Blow-off Valves	EA	\$4,000	\$4,000	\$1,200	\$520	\$520	\$260	\$6,760	1944	85	73	12	\$5,805.65	\$954.35
2	2" Blow-off Valves	EA	\$4,000	\$8,000	\$2,400	\$1,040	\$1,040	\$520	\$13,520	1946	85	71	14	\$11,293.18	\$2,226.82
1	2" Blow-off Valves	EA	\$4,000	\$4,000	\$1,200	\$520	\$520	\$260	\$6,760	1948	85	69	16	\$5,487.53	\$1,272.47
1	2" Blow-off Valves	EA	\$4,000	\$4,000	\$1,200	\$520	\$520	\$260	\$6,760	1950	85	67	18	\$5,328.47	\$1,431.53

2" Blow-off Valves	3	EA	\$4,000	\$12,000	\$3,600	\$1,560	\$1,560	\$780	\$780	\$20,280	1952	85	65	20	\$15,508.24	\$4,771.76	\$4,771.76
2" Blow-off Valves	5	EA	\$4,000	\$20,000	\$6,000	\$2,600	\$2,600	\$1,300	\$1,300	\$33,800	1954	85	63	22	\$25,051.76	\$8,748.24	\$8,748.24
2" Blow-off Valves	1	EA	\$4,000	\$4,000	\$1,200	\$520	\$520	\$260	\$260	\$6,760	1957	85	60	25	\$4,771.76	\$1,988.24	\$1,988.24
2" Blow-off Valves	3	EA	\$4,000	\$12,000	\$3,600	\$1,560	\$1,560	\$780	\$780	\$20,280	1958	85	59	26	\$14,076.71	\$6,203.29	\$6,203.29
Modern Fire Hydrant	4	EA	\$7,000	\$28,000	\$8,400	\$3,640	\$3,640	\$1,820	\$1,820	\$47,320	1941	85	76	9	\$42,309.65	\$5,010.35	\$5,010.35
Modern Fire Hydrant	2	EA	\$7,000	\$14,000	\$4,200	\$1,820	\$1,820	\$910	\$910	\$23,660	1946	85	71	14	\$19,763.06	\$3,896.94	\$3,896.94
Modern Fire Hydrant	1	EA	\$7,000	\$7,000	\$2,100	\$910	\$910	\$455	\$455	\$11,830	1948	75	69	6	\$10,883.60	\$946.40	\$946.40
Modern Fire Hydrant	1	EA	\$7,000	\$7,000	\$2,100	\$910	\$910	\$455	\$455	\$11,830	1952	75	65	10	\$10,252.67	\$1,577.33	\$1,577.33
Modern Fire Hydrant	1	EA	\$7,000	\$7,000	\$2,100	\$910	\$910	\$455	\$455	\$11,830	1953	75	64	11	\$10,094.33	\$1,735.07	\$1,735.07
Modern Fire Hydrant	3	EA	\$7,000	\$21,000	\$6,300	\$2,730	\$2,730	\$1,365	\$1,365	\$35,490	1954	75	63	12	\$29,811.60	\$5,678.40	\$5,678.40
Modern Fire Hydrant	1	EA	\$7,000	\$7,000	\$2,100	\$910	\$910	\$455	\$455	\$11,830	1957	75	60	15	\$9,464.00	\$2,366.00	\$2,366.00
Modern Fire Hydrant	3	EA	\$7,000	\$21,000	\$6,300	\$2,730	\$2,730	\$1,365	\$1,365	\$35,490	1958	75	59	16	\$27,918.80	\$7,571.20	\$7,571.20
Modern Fire Hydrant	3	EA	\$7,000	\$21,000	\$6,300	\$2,730	\$2,730	\$1,365	\$1,365	\$35,490	1959	75	58	17	\$27,445.60	\$8,044.40	\$8,044.40
Modern Fire Hydrant	1	EA	\$7,000	\$7,000	\$2,100	\$910	\$910	\$455	\$455	\$11,830	2010	40	7	33	\$2,070.25	\$9,759.75	\$9,759.75
Wharf Hydrant	1	EA	\$2,500	\$2,500	\$750	\$325	\$325	\$163	\$163	\$4,225	1940	85	77	8	\$3,827.35	\$397.65	\$397.65
Wharf Hydrant	8	EA	\$2,500	\$20,000	\$6,000	\$2,600	\$2,600	\$1,300	\$1,300	\$33,800	1941	85	76	9	\$30,221.18	\$3,578.82	\$3,578.82
Wharf Hydrant	1	EA	\$2,500	\$2,500	\$750	\$325	\$325	\$163	\$163	\$4,225	1944	85	73	12	\$3,628.53	\$596.47	\$596.47
Wharf Hydrant	8	EA	\$2,500	\$20,000	\$6,000	\$2,600	\$2,600	\$1,300	\$1,300	\$33,800	1946	85	71	14	\$28,232.94	\$5,567.06	\$5,567.06
Wharf Hydrant	2	EA	\$2,500	\$5,000	\$1,500	\$650	\$650	\$325	\$325	\$8,450	1948	75	69	6	\$7,774.00	\$676.00	\$676.00
Wharf Hydrant	1	EA	\$2,500	\$2,500	\$750	\$325	\$325	\$163	\$163	\$4,225	1952	75	65	10	\$3,661.67	\$563.33	\$563.33
Wharf Hydrant	1	EA	\$2,500	\$2,500	\$750	\$325	\$325	\$163	\$163	\$4,225	1953	75	64	11	\$3,605.33	\$619.67	\$619.67
Wharf Hydrant	6	EA	\$2,500	\$15,000	\$4,500	\$1,950	\$1,950	\$975	\$975	\$25,350	1954	75	63	12	\$21,294.00	\$4,056.00	\$4,056.00
Wharf Hydrant	1	EA	\$2,500	\$2,500	\$750	\$325	\$325	\$163	\$163	\$4,225	1955	75	62	13	\$3,492.67	\$732.33	\$732.33
Wharf Hydrant	2	EA	\$2,500	\$5,000	\$1,500	\$650	\$650	\$325	\$325	\$8,450	1957	75	60	15	\$6,760.00	\$1,690.00	\$1,690.00
Wharf Hydrant	8	EA	\$2,500	\$20,000	\$6,000	\$2,600	\$2,600	\$1,300	\$1,300	\$33,800	1958	75	59	16	\$26,589.33	\$7,210.67	\$7,210.67
Wharf Hydrant	7	EA	\$2,500	\$17,500	\$5,250	\$2,275	\$2,275	\$1,138	\$1,138	\$29,575	1959	75	58	17	\$22,871.33	\$6,703.67	\$6,703.67
										\$25,329,258					\$14,782,657.64	\$10,546,600.85	

Property/Easements	1	EA								\$1,299,230						\$1,299,230	\$1,299,230.00
Water Rights	700	AF	\$13,000	\$9,100,000						\$9,100,000						\$9,100,000	\$9,100,000.00

Total					\$3,915,156	\$1,696,568	\$1,696,568	\$848,284	\$848,284	\$35,728,488					\$14,782,657.64	\$10,546,600.85	\$20,945,830.85
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ATTACHMENT 4

Bellflower Municipal Water System
16913 Lakewood Blvd
Bellflower, CA 90706

Re: California American Water's Application to Purchase Bellflower Municipal Water System

Application A. XXX

Dear Customers:

Voters in the City of Bellflower approved the sale of the Bellflower Municipal Water System (Bellflower Municipal) to California-American Water Company (California American Water) with passage of Measure W in the November 2016 general election. Before the sale is completed, the California Public Utilities Commission (CPUC) will also review it.

On September __, 2018, California American Water submitted Application XXX to the CPUC. The Application asks the CPUC to approve California American Water's purchase of Bellflower Municipal and authorize California American Water to serve Bell Municipal's customers.

If the Application is approved by the CPUC, Bellflower Municipal customers will not see a rate increase until January 1, 2021. Subsequent potential rate increases will be addressed through a General Rate Case (GRC) process. California American Water expects to file its next GRC in July of 2019, for rates to take effect in 2021. If this purchase is approved, you will receive notice of these future GRC proceedings. In its 2016 GRC¹, California American Water requested consolidation of several service districts, including its Los Angeles, Ventura, and San Diego service areas into a single Southern District. A decision is still pending in that proceeding. If such consolidation is granted, in a subsequent GRC, California American Water will ask the CPUC to consolidate the Bellflower Municipal area into that Southern Division.

For comparative purposes, a chart is provided below. The chart shows the total average bill based on Bellflower Municipal Water System's current rates and the same based on California American Water's proposed Southern Division rates for 2018.

¹ California American Water 2016 GRC Application A.16-07-002.

2018 Total Bill Comparison
Bellflower Municipal Water System Current and California American Water Proposed
Southern Division Consolidated Rates

	Average Usage (CGL)	Current Average Total Bill	Projected Average Total Bill²	\$ Increase /(Decrease)	% Increase /(Decrease)
Bellflower	85.12	\$ 54.76	\$ 54.81	\$ 0.05	0.09%

California American Water has significant experience providing water service throughout California and in other parts of the Los Angeles Metropolitan region. Provided the CPUC approves the Application, customers in Bellflower Municipal will benefit from larger economies of scale and service provided by experienced engineers, scientists, managers and water treatment and distribution operators. Customers will also have access to California American Water online payment options, web self-service account management tools, and the option of paperless billing. California American Water offers a low-income discount program for qualifying seniors and families facing financial difficulties and water conservation programs that provide water use home visits devices, and other tools to help reduce water consumption.

OBTAINING A COPY OF THE APPLICATION

Non-confidential portions of the application and its attachments will be made available upon request. Such requests should be directed to Jonathan Morse at jonathan.morse@amwater.com; 4701 Beloit Drive, Sacramento, CA 95838; (916) 568-4237. The application may also be reviewed online on the CPUC's Docket Card webpage <https://apps.cpuc.ca.gov/apex/f?p=401:1:0>. Type the application number (18-04-025) without dashes into the Proceeding Number Search box. The application may also be reviewed in person at the CPUC's Central Files Office by appointment. For more information, contact aljcentralfilesid@cpuc.ca.gov or 1-415-703-2045.

CPUC PROCESS

This application will be assigned to an Administrative Law Judge (Judge) who will determine how to receive evidence and other related documents necessary for the CPUC to establish a record upon which to base its decision. Evidentiary hearings may be held where parties of record will present their testimony and may be subject to cross-examination before the Judge. These hearings are open to the public, but only those who are parties of record may present evidence or cross-examine witnesses. After considering

² Projected Average Total Bill includes San Marino's proposed surcharges under a consolidated Southern Division that were used at the time of Cal-Am's A.16-07-002 April 6 TCJA General Rate Case Filing.

all proposals and all evidence presented during the formal hearing process, the Judge will issue a draft decision which may adopt all or part of California American Water's request, modify, or deny the application. Any of the five CPUC Commissioners may sponsor an alternate decision and the issue will be voted on at a scheduled CPUC Voting Meeting.

The Public Advocates Office (PAO) is reviewing this application. PAO is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers. For more information about PAO, please call (415) 703-1584, email public.advisor@cpuc.ca.gov or visit the PAO's website at <http://www.publicadvocates.cpuc.ca.gov/>.

STAY INFORMED

If you would like to follow this proceeding, or any other issue before the CPUC, you may use the CPUC's free subscription service. Sign up at: <http://subscribecpuc.cpuc.ca.gov/>.

If you would like to learn how you can participate in the proceeding, have informal comments, or have questions about the CPUC processes, you may access the CPUC's Public Advisor's Office webpage at <http://consumers.cpuc.ca.gov/pao/>. You may also contact the Public Advisor's Office as follows:

Write: CPUC Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102
Email: public.advisor@cpuc.ca.gov
Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074

1-866-836-7825 (toll-free) or TTY 1-415-703-5282

Please refer to **California American Water's Bellflower Municipal Water System Purchase Request Application No. XXX** in any communications with the CPUC regarding this matter. These comments will become part of the public correspondence file for this proceeding and made available for review to the assigned Judge, the Commissioners, and appropriate CPUC staff.

Sincerely,

Bellflower Municipal Water System

September __, 2018

**NOTICE OF APPLICATION REQUESTING THE SALE OF
BELLFLOWER MUNICIPAL WATER SYSTEM TO CALIFORNIA-
AMERICAN WATER COMPANY – APPLICATION NO. A. XX**

On September __, 2018, California-American Water Company (California American Water) submitted Application A. XX to the California Public Utilities Commission (CPUC). The Application asks the CPUC to approve California American Water's purchase of the Bellflower Municipal Water System (Bellflower Municipal) and authorize service of Bellflower Municipal's customers for operations purposes as part of California American Water's Los Angeles County District.

Bellflower Mutual includes approximately 1800 customer service connections, distribution facilities, wells and 700 acre feet of water rights. The integration of the Bellflower system into California American Water's systems is expected to create greater economies of scale and synergies, which would benefit both existing customers and Bellflower customers over time. The acquisition also helps ensure the provision of safe and reliable water service for Bellflower customers now and in the future.

The average residential California American Water customer is not expected to see any rate or bill impact from the purchase of Bellflower Municipal Water System until January 1, 2021. California American Water has not requested immediate consolidation of Bellflower into California American Water's other Southern California service areas for ratemaking purposes; however, for illustrative purposes only, California American Water provides the below chart showing the possible impact if Bellflower were consolidated in California American Water's pending General Rate Case (GRC) and if the consolidation requested in that GRC is approved. Rates for Bellflower are not projected because they are not included in the pending GRC.

Total Bill Impact if Bellflower is Consolidated

District	Baldwin Hills Service Area in Los Angeles	Duarte Service Area in Los Angeles	San Marino Service Area in Los Angeles	Ventura	San Diego
Avg Usage (CGL)³	110.2	130	157.8	135.3	71.6
Projected Total Bill under Cal-Am's Pending GRC^{4 5}	\$ 76.16	\$ 81.70	\$ 91.73	\$ 111.86	\$ 71.39
Projected Total Bill under Cal-Am's Pending GRC with Bellflower	\$ 77.71	\$ 83.48	\$ 93.90	\$ 113.71	\$ 72.50
\$ Increase/(Decrease)	\$ 1.55	\$ 1.78	\$ 2.17	\$ 1.86	\$ 1.11
% Increase/(Decrease)	2%	2%	2%	2%	2%

If this purchase is approved, California American Water will in a future GRC seek to consolidate its Bellflower customers with those of other Southern California areas for ratemaking purposes. Rate increases will be addressed in future GRCs. California American Water expects to file its next GRC in July of 2019, for rates to take effect in 2021 and again in July of 2022 for rates to take effect in 2024. You will receive notice of these future GRC proceedings.

OBTAINING A COPY OF THE APPLICATION

Non-confidential portions of the application and its attachments will be made available upon request. Such requests should be directed to Jonathan Morse at jonathan.morse@amwater.com; 4701 Beloit Drive, Sacramento, CA 95838; (916) 568-4237.

The application may also be reviewed online on the CPUC's Docket Card webpage <https://apps.cpuc.ca.gov/apex/f?p=401:1:0>. Type the application number (1804025) into the Proceeding Number Search box. The application may also be reviewed in person at

³ Average usage is the projected 2018 average from Cal-Am's pending GRC, A.16-07-002. 1 CGL is equal to 100 gallons. 1 CCF is equal to 748 gallons or 7.48 CGL.

⁴ The dollar and percentage differences are based on pending rates filed in Cal-Am's GRC, A. 16-07-002, which includes Cal-Am's Partial Settlement Agreement with Las Palmas WW Committee, MPWMD, Settlement Rate Design with Coronado, Monterey's authorized rate design in D.16-12-003, and D.18-03-035 for Cost of Capital.

⁵ The projections also include the impacts of Tax Cut & Jobs Act (TCJA) and include current authorized purchased water rate as well as applicable assumptions for surcharges.

the CPUC's Central Files Office by appointment. For more information, contact aljcentralfilesid@cpuc.ca.gov or 1-415-703-2045.

CPUC PROCESS

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The Public Advocates Office (PAO) is reviewing this application. PAO is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers. For more information about PAO, please call (415) 703-1584, email public.advisor@cpuc.ca.gov or visit PAO's website at <http://www.publicadvocates.cpuc.ca.gov/>.

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Please refer to **California American Water's Bellflower Municipal Water System Purchase Request Application No. 18-04-025** in any communications with the CPUC regarding this matter. These comments will become part of the public correspondence file for this proceeding and made available for review to the assigned Judge, the Commissioners, and appropriate CPUC staff.